Cincinnati Bell℠

2014 Annual Report

Letter to Shareholders

Notice of 2015 Annual Meeting and Proxy Statement

Report on Form 10-K

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

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

Dear Shareholders:

At Cincinnati Bell we strive to deliver unparalleled products, services and experiences to our customers. As the hometown provider, we have developed a personal connection with our community and our customers. We understand that consumers expect a seamless video and internet experience as they bring more "smart devices" and bandwidth into the home. We also understand that speed and connectivity are critical for businesses of all sizes to support their internal operations, customers and increasingly mobile employees.

Through our investments in fiber and in our other strategic products, we are addressing our customers' evolving expectations for technology and quickly asserting ourselves as the premier provider of high-speed data services and IT solutions in our region. These investments have dramatically reshaped the financial outlook for Cincinnati Bell and have begun to redefine the perception of our brand.

Two years ago, we announced a strategy aimed at transforming Cincinnati Bell from a legacy copper-based telecommunications company into a fiber based entertainment, communications, and IT Solutions Company with growing revenue, growing profits, and significant sustainable cash flows. Since that time, we have made considerable progress in our efforts, and 2014 was truly a turning point in our endeavors.

2014 Performance Highlights

- Generated Wireline segment revenue growth for the first time since 2007 – Fioptics annual revenue exceeded $140 million, up more than 40% year-over-year
- Achieved financial guidance (excluding the Wireless business) – revenue totaled $1.1 billion and Adjusted EBITDA[1] was $335 million
- Sold 16 million CyrusOne partnership units for $356 million of cash – proceeds were used to repay debt, increasing net cash flow $15 million annually
- Completed the sale of wireless spectrum licenses for cash proceeds of $194 million, and will transfer approximately $25 million in certain assets and capital lease obligations in the first half of 2015
- Produced positive free cash flow[2] for the year totaling $12 million
- Announced a plan to accelerate the pace of our fiber investments in order to capitalize on the increasing demand for these products and to capture market share during a period of significant disruption in the competitive landscape

Creating a Company with Growing Revenue

In 2014, we invested $130 million in our strategic products which generated revenue of $436 million for the year. On a consolidated basis, revenue increased 2% despite significant declines resulting from shutting down our wireless operations and on-going headwinds from our legacy product base. For the first time since 2007, our Wireline segment generated year-over-year revenue growth.

Our investment in Fioptics is the primary reason our Wireline segment returned to revenue growth in 2014. This suite of Internet, voice and entertainment products for businesses and consumers offers a compelling alternative to cable and satellite TV and Internet services. In 2014, we invested $93 million in Fioptics, which generated $142 million of revenue – up from $101 million in 2013. As of the end of the year, our Fioptics entertainment users increased to 91,000 from 74,000. High-speed Internet subscribers grew to 114,000, up more than 40%.

Fioptics is currently available to approximately 335,000 customer locations – more than 40 percent of the region, with a goal of reaching up to 80% by mid to late 2017. In addition, we are also able to provide Internet speeds of at least 10 megabits to another 165,000 addresses in Greater Cincinnati as a result of network

upgrades in the neighborhoods within close proximity to our Fioptics deployment.

On the business front, we have established ourselves as a key strategic partner to companies that are outsourcing an array of IT functions. We have embedded hundreds of employees within our enterprise and midcap customers, and we see additional managed services opportunities downstream with private equity firms.

Our strategy is paying off. The IT Services and Hardware segment generated $139 million of strategic revenue in 2014, up 17 percent from the year before.

Building Financial Strength

In January 2013, we successfully completed the IPO of CyrusOne, our former data center business, retaining a 69% ownership interest in that business. Our stake in CyrusOne is the key component to creating a healthy balance sheet and reducing our debt. Last year's sale of 16 million CyrusOne partnership units generated $356 million and allowed us to pay down a large portion of our highest coupon notes, increasing cash flow $15 million annually.

The well-timed and swiftly executed transaction also proved that we could play the role of both successful business operators and thoughtful investors. In addition, our sale increased CyrusOne's public float and alleviated much of the perceived overhang from our significant ownership. Since our sale last year, CyrusOne's equity has increased by more than 15% and the value in our remaining stake has increased by approximately $115 million.

We remain committed to our strategy of using proceeds from the sale of CyrusOne to pay down debt. We still own 44 percent of CyrusOne, a stake valued at $785 million on December 31, 2014. When adjusting our debt for the value of CyrusOne, the company is 2.8 times levered, which is well within a healthy range for any company with our profile. We remain a patient, yet active investor, committed to maximizing shareholder value by executing a well-timed and thoughtfully coordinated monetization plan that balances the upside growth in CyrusOne with our goal of reducing leverage.

Also in 2014, we announced an agreement to sell our wireless spectrum licenses and certain related assets to Verizon Wireless. The decision to close our wireless operations was difficult but necessary as we would always be limited by scale and thus struggle to provide the best product to our customers.

The agreement to sell our wireless spectrum licenses closed in September for cash proceeds of $194 million. The remaining assets and certain capital lease obligations, valued at approximately $25 million, are being transferred in the first half of 2015 as soon as we are able to transition the remaining subscribers off our network.

The combination of the CyrusOne sale and the agreement to sell our wireless spectrum licenses are key milestones in strengthening our balance sheet and improving cash flows. During 2014, we reduced net debt[3] by more than $500 million, as we near our goal of reducing leverage to be more in line with our peer group.

Impacting our Community

Many metropolitan areas across the country increasingly recognize the power of having a cutting-edge information technology infrastructure to facilitate business attraction and retention. Our commitment to fiber provides Greater Cincinnati another economic development tool for creating employment opportunities and assists in attracting the highest quality of individual talent to our region.

We are deeply engaged in efforts to attract new businesses to the region. We provide gigabit Internet service to one of the top start-up accelerators in the United States. We are investors in business-led efforts to support promising young start-ups and entrepreneurs through a combination of capital, co-working space and access to the region's swath of public and private companies that may become customers or strategic partners. We are also investors in a revitalized economic development organization working to attract new companies to the region and help existing businesses expand.

Cincinnati Bell is committed to being a corporate role model with investments in our community that will keep our neighborhoods connected with premier programming, superior services, and the fastest internet that technology can offer.

Conclusion

2014 was a turning point for this company and 2015 promises to be another pivotal year in our history. Our efforts in 2015 will be dedicated towards efficiently expanding our fiber network and capturing further market share while also continuing to evaluate opportunities to improve the health of our balance sheet.

Our future holds great opportunities. As we enter our 142nd year of business, we have a team of 3,100 talented employees poised to achieve our transformational objectives and continue the connection with our customers and community. We believe in the future of our Company and thank you for your investment in Cincinnati Bell.

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), free cash flow and net debt. These non-GAAP financial measures are used by Cincinnati Bell management when evaluating results of operations. Management believes these measures also provide users of the financial statements with additional and useful comparisons of current results of operations with past and future periods. Non-GAAP financial measures should not be construed as being more important than comparable GAAP measures. Detailed reconciliations of these measures to comparable GAAP financial measures are available at http://investor.cincinnatibell.com (see Fourth Quarter 2014 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 (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.

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

[3] **Net debt** provides a useful measure of liquidity and financial health. The company defines net debt as the sum of the face amount of short-term and long-term debt and unamortized premium and/or discount, offset by cash and cash equivalents. Net debt should not be considered as an alternative to comparable GAAP measures of liquidity and may not be comparable with the measure as defined by other companies.

Financial Highlights

(dollars in millions)	Year Ended December 31, 2014	2013(a)	2012
Operating Data			
Revenue	**$1,278.2**	**$1,256.9**	$1,473.9
Cost of services and products, selling, general and administrative, depreciation and amortization expense	**1,153.2**	**1,033.4**	1,181.5
Restructuring charges, transaction-related compensation, curtailment (gain), (gain) loss on sale or disposal of assets, asset impairments, transaction costs, and amortization of deferred gain	**9.2**	**59.7**	22.3
Operating income	**115.8**	**163.8**	270.1
Interest expense	**148.7**	**182.0**	218.9
Loss on extinguishment of debt	**19.6**	**29.6**	13.6
Loss from CyrusOne equity method investment	**7.0**	**10.7**	—
Gain on sale of CyrusOne equity method investment	**(192.8)**	**—**	—
Net income (loss)	**$ 75.6**	**$ (54.7)**	$ 11.2
Financial Position			
Property, plant and equipment, net	**$ 859.5**	**$ 902.8**	$1,587.4
Total assets	**1,819.7**	**2,107.3**	2,872.4
Total long-term obligations	**2,058.4**	**2,529.7**	3,215.2

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

(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

John W. Eck (4)
Chief Operations Officer and
Executive Vice President
Univision Communications, Inc.

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

Craig F. Maier (1, 2*, 3)
President and Chief Executive Officer
Frisch's Restaurants, Inc.

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

Alan R. Schriber, Ph.D (2, 4)
Retired Chairman of the Public Utilities
Commission of Ohio

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

John M. Zrno (1, 4)
Retired President and
Chief Executive Officer
IXC Communications, Inc.

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

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

Company Officers

Theodore H. Torbeck
President and
Chief Executive Officer

Leigh R. Fox
Chief Financial Officer

Thomas E. Simpson
ChiefTechnology 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 APRIL 30, 2015

To Our Shareholders:

The 2015 Annual Meeting of Shareholders of Cincinnati Bell Inc. (the "Company") will be held on Thursday, April 30, 2015, 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 eight directors to serve a one-year term ending in 2016;

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

3 To seek shareholder approval of an amendment to the Cincinnati Bell Inc. 2007 Long Term Incentive Plan;

4 To ratify the appointment of the Company's independent accountants to audit the financial statements of the Company for the year 2015; and

5 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 2, 2015 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 20, 2015

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON APRIL 30, 2015: The Proxy Statement and Annual Report are available at www.proxyvote.com

TABLE OF CONTENTS

	Page
Proxy Statement	1
Questions and Answers about the Proxy Materials and the Annual Meeting	2
Board Structure and Corporate Governance	7
Director Compensation	11
Compensation Committee Interlocks and Insider Participation	15
Code of Business Conduct and Codes of Ethics	15
Certain Relationships and Related Party Transactions	15
Election of Directors — Item 1 on Proxy Card	17
Advisory Approval of the Company's Executive Compensation — Item 2 on Proxy Card	21
Proposal to Approve an Amendment to the Cincinnati Bell Inc. 2007 Long Term Incentive Plan — Item 3 on Proxy Card	22
Equity Compensation Plan Information	31
Ratification of Appointment of Independent Registered Public Accounting Firm — Item 4 on Proxy Card	32
Audit and Finance Committee Report	33
Independent Accountants	34
Stock Ownership of Certain Beneficial Owners and Management	35
Compensation Committee Report	37
Compensation Discussion and Analysis	38
Executive Compensation	55
Other Matters	68
Annex A	A-1
Appendix I — Cincinnati Bell Inc. 2007 Long Term Incentive Plan	I-1

CINCINNATI BELL INC.

221 East Fourth Street
Cincinnati, Ohio 45202

PROXY STATEMENT

For the Annual Meeting of Shareholders
to be held on Thursday, April 30, 2015

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 2015 Annual Meeting of Shareholders. The Annual Meeting will be held on Thursday, April 30, 2015, 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, 2014, and the Company's Summary 2014 Annual Report are being furnished to the shareholders beginning on or about March 20, 2015.

The Company's Board of Directors has established the close of business on March 2, 2015 as the record date (the "Record Date") for determining shareholders entitled to notice of, and to vote at, the Annual Meeting or any adjournment or postponement of the Annual Meeting. Only shareholders of record at the close of business on the Record Date will be entitled to vote on matters to be presented at the Annual Meeting.

The agenda for the Annual Meeting is as follows:

1 To elect eight directors to serve a one-year term ending in 2016;

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

3 To seek shareholder approval of an amendment to the Cincinnati Bell Inc. 2007 Long Term Incentive Plan;

4 To ratify the appointment of the Company's independent accountants to audit the financial statements of the Company for the year 2015; and

5 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") provides integrated communications solutions — including high-speed internet, data, video, and local and long distance voice — that keep residential and business customers in Greater Cincinnati connected with each other and with the world. In addition, business customers across the United States rely on Cincinnati Bell Technology Solutions, a wholly-owned subsidiary, for the sale and service of efficient, end-to-end communications and IT systems and solutions. Cincinnati Bell also owns approximately 44% of CyrusOne Inc. (NASDAQ: CONE) ("CyrusOne"), which specializes in highly reliable enterprise-class, carrier-neutral data center properties.

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 April 30, 2015. 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 2014 Annual Report and Annual Report on Form 10-K for the year ended December 31, 2014, which includes our 2014 consolidated financial statements, contains information relating to the proposals to be voted on at the meeting, the voting process, the compensation of directors and certain officers and certain other information required by the rules and regulations of the Securities and Exchange Commission (the "SEC") and the rules and listing standards of the New York Stock Exchange (the "NYSE"). Although you are encouraged to vote either by the internet or by telephone, these materials, if received in printed form, also include a proxy card or voting instruction card for your use in voting by mail or at the Annual Meeting.

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

A1: The election of eight directors to serve a one-year term ending in 2016;

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

A3: The approval of an amendment to the Cincinnati Bell Inc. 2007 Long Term Incentive Plan (the "2007 Long Term Incentive Plan"); and

A4: 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 2015.

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;
- "FOR" approval of an amendment to the 2007 Long Term Incentive Plan; 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 2015.

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), Proposal 2 (advisory approval of the Company's executive compensation), and Proposal 3 (approval of an amendment to the 2007 Long Term Incentive Plan) are considered *non-routine* matters, and your broker or nominee cannot vote your shares without your specific voting instructions. Proposal 4 (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 approval of the Company's executive compensation), Proposal 3 (approval of an amendment to the 2007 Long Term Incentive Plan) or Proposal 4 (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 6, 2015.

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

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

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

A: Each common share and each 6¾% Cumulative Convertible Preferred Share outstanding as of the close of business on the Record Date is entitled to vote on all items being voted upon at the Annual Meeting. You are entitled to one vote for each common share and one vote for each 6¾% Cumulative Convertible Preferred Share you own of record on the Record Date or to provide instructions on how to vote such shares in which you have a beneficial interest. The 6¾% Cumulative Convertible Preferred Shares will vote with the common shares as one class on each of the proposals described in this Proxy Statement. There are no cumulative voting rights for either class of shares. On the Record Date, we had 209,560,434 outstanding common shares and 155,250 6¾% 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 $11,000 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 1% 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. GAMCO Investors, Inc. and affiliates also indicated it holds more than 5% of the 6¾% Cumulative Convertible Preferred shares of the Company. See page 35 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 69.

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.

On July 8, 2014, Mr. Theodore H. Schell resigned from the Board as a director. Mr. Schell stated in his resignation letter that there were no disagreements between the Company and himself or the Board and himself relative to his resignation. Effective October 20, 2014, Mr. John W. Eck was appointed to the Board to fill the vacancy resulting from the resignation of Mr. Schell.

In addition, on January 23, 2015, Mr. Alan R. Schriber informed the Company that he would not seek re-election to the Board. At the time of this Proxy Statement, the Board had not yet identified a candidate to nominate to fill the vacancy created by Mr. Schriber's decision not to stand for re-election. Mr. Schriber's position on the Board will become a vacancy at the end of his term on April 30, 2015 while the Board conducts its search to identify a suitable candidate. The vacancy will be filled after the 2015 Annual Meeting in accordance with law and the Company's Amended Regulations, and such candidate will be subject to election at the Annual Meeting immediately following his or her appointment to fill the vacant Board position.

The Company has a long-standing policy that the positions of Chairman of the Board (currently held by Mr. Cox) and Chief Executive Officer (currently held by Mr. 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 2014, 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 2014 Annual Meeting of Shareholders.

For information on how to obtain a copy of the Company's Corporate Governance Guidelines, please see page 69.

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 2014 is (or was) independent and has (or had) no relationship with the Company, except as a director and shareholder:

- Phillip R. Cox
- John W. Eck*
- Jakki L. Haussler
- Craig F. Maier
- Russel P. Mayer
- Theodore H. Schell**
- Alan R. Schriber***
- Lynn A. Wentworth
- John M. Zrno

* Mr. Eck was appointed to the Board effective October 20, 2014.

** Mr. Schell resigned from the Board effective July 8, 2014.

*** On January 23, 2015, Mr. Schriber informed the Board that he would not seek re-election at the 2015 Annual Meeting.

In addition, based on these standards, the Board determined that Mr. Torbeck was not independent because he served as the President and Chief Executive Officer of the Company in 2014.

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 2014:

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

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

(b) Effective October 20, 2014, Mr. Eck was appointed to fill a vacancy on the Board.

In addition, Mr. Theodore H. Schell served as Chair of the Governance and Nominating Committee and a member of the Audit and Finance Committee and the Executive Committee until his resignation from the Board on July 8, 2014.

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 2014. 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 69.

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. In addition, the Audit and Finance Committee receives regular updates from the Company's Chief Security Officer on cyber security risks and the actions being taken by his department to monitor and mitigate those risks. The Audit and Finance Committee also oversees the Company's Security Breach Response and Notification Plan, which sets forth the Company's plan for notifying affected persons and other stakeholders in the event a security breach involving personally identifiable information or protected health information triggers notification requirements under applicable law. The Audit and Finance Committee provides periodic updates to the full Board on risk oversight and cyber security matters.

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

The Board determined that each member of the Audit and Finance Committee satisfies the independence requirements of the rules and regulations of the SEC and the independence and other requirements of the rules and listing standards of the NYSE. No member of the Audit and Finance Committee serves on the audit committees of more than three public companies. In addition, the Board determined that Ms. Wentworth and Ms. Haussler are audit committee financial experts as defined in the regulations of the SEC and that each member of the Audit and Finance Committee is financially literate as defined by the rules and listing standards of the NYSE. For Ms. Wentworth's and Ms. Haussler's relevant experience, please see pages 18 - 20.

Compensation Committee: The Compensation Committee currently consists of five persons, none of whom is an executive officer. The Compensation Committee held five meetings during 2014. 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 69.

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 2014, the Governance and Nominating Committee consisted of five persons, none of whom is an executive officer. The Governance and Nominating Committee held four meetings during 2014. 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 69.

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 currently consists of four persons, one of whom is the President and Chief Executive Officer of the Company. The Committee held three meetings during 2014. 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 2015 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 68. 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.

Mr. John W. Eck was appointed to the Board effective October 20, 2014. He is the only director nominee at the 2015 Annual Meeting who is standing for election by the shareholders for the first time. The Governance and Nominating Committee recommended Mr. Eck as a nominee to fill the vacancy created by the resignation of Mr. Theodore H. Schell on July 8, 2014. In addition, on January 23, 2015, Mr. Alan Schriber informed the Board that he would not be seeking re-election at the 2015 Annual Meeting. At the time of this Proxy Statement, the Governance and Nominating Committee is still identifying and evaluating potential candidates to fill the vacancy created by Mr. Schriber's decision to not stand for re-election. Upon completion of the evaluation and nomination process described above, the Governance and Nominating Committee will recommend a candidate to the full Board for consideration to fill the vacant Board position created by Mr. Schriber's decision not to stand for re-election.

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 2014.

Compensation Element	2014
Chairman of the Board Annual Retainer (a)	$320,000
Annual Board Retainer	$ 70,000
Annual Board Equity Award (b)	$ 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; however, the Chairman is eligible for the Annual Board Equity Award.

(b) The Annual Board Equity Award is paid in the form of an award grant under the Cincinnati Bell Inc. 2007 Stock Option Plan for Non-Employee Directors. In 2014, the Annual Board Equity Award was paid in the form of restricted stock units with an aggregate value of $70,000 and a one-year vesting period. On July 29, 2014, the Board increased the value of the Annual Board Equity Award to $80,000 beginning with the 2015 award grant.

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 2014, no credits were made to the non-employee directors plan accounts. 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, for 2014 and earlier, the Company annually granted awards with an aggregate value of $70,000 on the date of grant to each incumbent non-employee director. Awards granted in 2013 and earlier were in the form of time-based restricted shares and awards granted in 2014 were in the form of restricted stock units. The restricted shares issued in 2012 and prior vest on the third anniversary of the grant date, and the restricted shares issued in 2013 vest on the second anniversary of the grant date. The restricted stock units issued in 2014 vest on the first anniversary of the grant date. The Board determined that beginning in 2015 the Company would annually grant restricted stock unit awards that vest after one year and with an aggregate value of $80,000 on the date of grant to each incumbent non-employee director.

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 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 the vesting period after the applicable award grant date or ends service as a Company director under special circumstances (e.g., death, disability, or attaining retirement age).

Director Compensation in 2014 Fiscal Year

The following table shows the compensation paid to our non-employee directors for the 2014 fiscal year:

Director Compensation for Fiscal 2014

Name	Fees Earned or Paid in Cash ($) (a)	Stock Awards ($) (b) (c)	Option Awards ($) (c)	Total ($)
Phillip R. Cox	320,000	70,000	—	390,000
John W. Eck (d)	—	—	—	—
Jakki L. Haussler	95,000	70,000	—	165,000
Craig F. Maier	98,231	70,000	—	168,231
Russel P. Mayer	81,044	70,000	—	151,044
Theodore H. Schell (e)	75,750	—	—	75,750
Alan R. Schriber	84,038	70,000	—	154,038
Lynn A. Wentworth	107,000	70,000	—	177,000
John M. Zrno	96,789	70,000	—	166,789

(a) No Board member elected to defer fees or annual retainers in fiscal 2014.

(b) The values reflect the aggregate grant-date fair value of the restricted stock units granted on May 6, 2014 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, 2014.

(c) As of December 31, 2014, the non-employee directors and former directors held an aggregate of 385,093 unvested stock awards and an aggregate of 102,400 option awards (granted in years prior to 2008), as set forth in the table below.

(d) Mr. Eck was appointed to the Board on October 20, 2014 but did not receive any payments in 2014.

(e) Mr. Schell resigned from the Board effective July 8, 2014 and forfeited the May 6, 2014 restricted stock grant.

Name	Number of Unvested Stock Awards Outstanding as of December 31, 2014	Number of Option Awards Outstanding as of December 31, 2014
Phillip R. Cox	60,525	27,000
John W. Eck	—	—
Jakki L. Haussler	60,525	—
Craig F. Maier	60,525	—
Russel P. Mayer	21,943	—
Theodore H. Schell	—	—
Alan R. Schriber	60,525	—
Lynn A. Wentworth	60,525	—
John M. Zrno	60,525	75,400

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

As of December 31, 2014, the members of the Compensation Committee included Ms. Wentworth, Ms. Haussler and Messrs. Cox, Maier, and Schriber. 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 69.

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 2014, there were no related party transactions requiring disclosure, except as follows: Prior to his appointment to the Board in 2013, Mr. Mayer served as an executive officer of General Electric Co. ("GE"), a significant client of the Company. In evaluating the transactions, 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. As a result of Mr. Alan R. Schriber's decision to not seek re-election to the Board at the expiration of his term, a vacancy will be created on the Board on April 30, 2015, at the end of Mr. Schriber's term. The position held by Mr. Schriber will remain vacant until the Board identifies, evaluates and recommends a person to fill such vacancy. Information regarding the Board's process of identifying and nominating candidates to serve as directors is provided on page 10.

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

Based upon the recommendations of the Governance and Nominating Committee, the Board has nominated Phillip R. Cox, John W. Eck, Jakki L. Haussler, Craig F. Maier, Russel P. Mayer, Lynn A. Wentworth, John M. Zrno and Theodore H. Torbeck to serve until the 2016 Annual Meeting of Shareholders. Each of the nominees is standing for re-election, except for Mr. Eck, who is standing for election for the first time. Mr. Eck was appointed to the Board on October 20, 2014 to fill a vacancy resulting from the resignation of Mr. Theodore H. Schell. 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. As noted above, a vacancy will exist on the Board after the 2015 Annual Meeting, which may be filled by the Board at any time.

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 18 - 20.

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 2016)

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 67.

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

John W. Eck

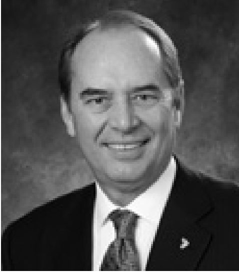
Mr. Eck is currently the Chief Operations Officer and Executive Vice President, Operations and Technology, at Univision Communications, Inc., a leading Hispanic media company in the United States. Prior to joining Univision Communications, Inc. in 2011, Mr. Eck worked at NBC Universal ("NBCU") for 18 years, most recently serving as President, Media Works. At NBCU, Mr. Eck oversaw NBCU's information, broadcasting and production technology, and NBCU's television network, television station, and television and film studio operations. Prior to joining NBCU, Mr. Eck held various other executive and financial positions at General Electric. Director since 2014. Age 55.

With over 30 years of media and information technology experience at Univision, NBC Universal and General Electric, Mr. Eck brings relevant industry experience from the perspective of a producer and distributor of media content. This experience makes him a very valuable asset to the Board as well as the Governance and Nominating Committee.

Jakki L. Haussler

Ms. Haussler has served as Chairman and Chief Executive Officer of Opus Capital Group (a registered investment advisory firm) since 1996. She is a director of Morgan Stanley Funds. 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 57.

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 65.

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

Russel P. Mayer

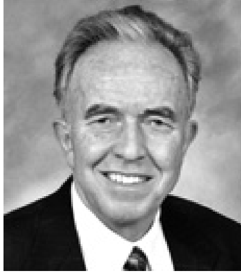
Mr. Mayer is retired. Prior to joining the Board, Mr. Mayer held several, executive-level information technology and business process improvement positions at General Electric. Most recently, he was Executive Vice President, CIO, and Quality Leader at GE Healthcare from 2009 to 2012. Prior to that, he 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. Director since 2013. Age 61.

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 Chairman of the Governance and Nominating Committee. He also serves as a valuable resource to the Company's management team.

Lynn A. Wentworth

Ms. Wentworth is the former Senior Vice President, Chief Financial Officer and Treasurer of BlueLinx Holdings Inc. (a building products distributor) from 2007 to 2008. Prior to joining BlueLinx, she was, most recently, Vice President and Chief Financial Officer for BellSouth Corporation's Communications Group and held various other positions at BellSouth from 1985 to 2007. She is a certified public accountant licensed in the state of Georgia. She is a director and chair of the Audit Committee of Graphic Packaging Holding Company. Director since 2008. Age 56.

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 to the Board, Chairwoman of the Audit and Finance Committee, and member of the Compensation Committee and Executive 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 76.

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 a member of the Audit and Finance Committee and 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 58.

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 38 and the Executive Compensation section beginning on page 55.

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.

PROPOSAL TO APPROVE AN AMENDMENT TO THE CINCINNATI BELL INC. 2007 LONG TERM INCENTIVE PLAN
(Item 3 on Proxy Card)

Proposal: To amend the Cincinnati Bell Inc. 2007 Long Term Incentive Plan (i) to increase the maximum number of common shares available for issuance under the plan by 6,000,000 shares from 18,000,000 shares to 24,000,000 shares, (ii) to increase the aggregate award limit for stock options and stock appreciation rights permitted under the 2007 Long Term Incentive Plan by 6,000,000 shares, and (iii) to increase the aggregate award limit for restricted stock, performance shares, share-based performance units, nonshare-based performance units, and non-restricted stock permitted under the 2007 Long Term Incentive Plan by 6,000,000 shares.

The Cincinnati Bell Inc. 2007 Long Term Incentive Plan was adopted by the Board of Directors on January 26, 2007, became effective on May 3, 2007 after approval of the shareholders at the 2007 Annual Meeting, and was amended effective as of May 1, 2009, and again effective as of January 29, 2014 (as amended, the "2007 Long Term Incentive Plan").

At this Annual Meeting, the shareholders of the Company will be asked to approve an amendment to the 2007 Long Term Incentive Plan. On January 27, 2015, the Board approved an amendment to the 2007 Long Term Incentive Plan, subject to shareholder approval, to:

- increase the maximum number of common shares available for issuance under the plan by 6,000,000 shares from 18,000,000 shares to 24,000,000 shares;
- to increase the aggregate award limit for stock options and stock appreciation rights permitted under the 2007 Long Term Incentive Plan by 6,000,000 shares from 18,000,000 shares to 24,000,000 shares; and
- to increase the aggregate award limit for restricted stock, performance shares, share-based performance units, nonshare-based performance units, and non-restricted stock permitted under the 2007 Long Term Incentive Plan by 6,000,000 shares from 7,400,000 shares to 13,400,000 shares.

The number of shares available for issuance under the 2007 Long Term Incentive Plan has been substantially depleted. The 6,000,000 additional shares will provide sufficient capacity to complete the remaining three-year life of the 2007 Long Term Incentive Plan, as the maximum annual grant limit is capped at 2,000,000 shares per year. The Board adopted this amendment because it believes that:

- additional shares are necessary to attract new employees and executives;
- additional shares are needed to further the goal of retaining and motivating existing personnel;
- the issuance of stock-based compensation to our employees is an integral component of the Company's compensation policy, and
- will facilitate the increased stock ownership guidelines for the NEOs as discussed on page 53.

If the amendment is not approved, the proposed increases will not take effect, and, as described below, no additional shares will be available for future grants under the 2007 Long Term Incentive Plan.

Aggregate Past Grants Under the 2007 Long Term Incentive Plan

As of December 31, 2014, awards (net of canceled or expired awards) covering an aggregate of 16,448,442 common shares have been granted under the 2007 Long Term Incentive Plan. As of December 31, 2014, only 1,551,558 common shares remained available for future grants under the 2007 Long Term Incentive Plan (in addition to any shares that might in the future be returned to the 2007 Long Term Incentive Plan as a result of cancellation or expiration of awards). In January 2015, awards were granted that were payable in common shares, to the extent any remain available under the 2007 Long Term Incentive Plan, and payable in cash, to the extent that there are insufficient shares available to pay the awards totally with shares. The January 2015 awards covered an aggregate of 1,794,494 common shares, at target, and, consequently, as of March 2, 2015, no additional common shares remain available for future grants under the 2007 Long Term Incentive Plan (and a portion of the January 2015 awards are currently anticipated to be paid in cash if the amendment to the 2007 Long Term Incentive Plan (Item 3) is not approved).

The following table shows information regarding the distribution of the awards outstanding discussed above, among the persons and groups identified below as of December 31, 2014.

	Stock Options				Restricted Stock (a) (b)		
	Number of Shares Subject to Past Option Grants	Weighted Average Exercise Price Per Share ($)	Number of Shares Underlying Options as of December 31, 2014		Number of Shares Subject to Past Award Grants	Number of Shares Vested as of December 31, 2014	Number of Shares Outstanding and Unvested as of December 31, 2014
			Exercisable	Unexercisable			
NEOs							
Theodore H. Torbeck	119,389	$4.75	57,725	61,664	1,250,943	461,474	789,469
David L. Heimbach (c)	6,150	$3.61	6,150	—	211,880	34,537	177,343
Leigh R. Fox	1,500	$2.91	1,500	—	166,904	33,163	133,741
Christopher J. Wilson	95,511	$4.75	46,180	49,331	100,929	64,476	36,453
Joshua T. Duckworth	1,800	$2.48	1,800	—	35,730	7,089	28,641
Thomas E. Simpson	—	—	—	—	23,474	11,350	12,124
Total for All Executive Officers as a group (6 persons)	224,350	$4.69	113,355	110,995	1,789,860	612,089	1,177,771
John F. Cassidy (d)	2,607,499	$4.06	2,442,725	164,774	—	—	—
All Other Plan Participants as a group (e)	1,776,999	$3.41	758,079	1,018,920	601,217	376,519	224,698
Total	4,608,848	$3.84	3,314,159	1,294,689	2,391,077	988,608	1,402,469

(a) Restricted Stock includes both performance-based units and time-based restricted awards.

(b) Assuming the January 2015 awards are paid pro rata in common shares among the awardees (and pro rata in cash to the extent that there are insufficient common shares remaining available under the 2007 Long Term Incentive Plan) and there are no cancellations or expirations of awards that return common shares to the 2007 Long Term Incentive Plan, the restricted stock awards as of March 2, 2015 would be as follows:

	Restricted Stock		
	Estimated Number of Shares Subject to Past Award Grants	Estimated Number of Shares Vested as of March 2, 2015	Estimated Number of Shares Outstanding and Unvested as of March 2, 2015
NEOs			
Theodore H. Torbeck	1,817,286	720,442	1,096,844
David L. Heimbach	211,880	53,573	158,307
Leigh R. Fox	280,172	51,442	228,730
Christopher J. Wilson	229,959	115,874	114,085
Joshua T. Duckworth	68,092	10,997	57,095
Thomas E. Simpson	88,198	17,606	70,592
Total for All Executive Officers as a group (6 persons)	2,695,587	969,934	1,725,653
All Other Plan Participants as a group (approximately 40 persons)	1,698,863	703,849	995,014
Total	4,394,450	1,673,783	2,720,667

(c) Mr. Heimbach resigned from the Company on December 9, 2014

(d) Mr. Cassidy is a former CEO of the Company and holds in excess of 5% of all outstanding options.

(e) Includes all current officers who are not executive officers and all current and former employees (except John F. Cassidy and David L. Heimbach), which represents approximately 430 persons for stock option awards and approximately 15 persons for restricted stock awards.

Summary of the Plan

THE FULL TEXT OF THE 2007 LONG TERM INCENTIVE PLAN, AS PROPOSED TO BE AMENDED, IS SET FORTH IN APPENDIX I OF THIS PROXY STATEMENT AND THE FOLLOWING DISCUSSION IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH TEXT. THE REVISIONS ARE INDICATED BY UNDERLINES AND ~~STRIKE-THROUGHS~~.

The purposes of the 2007 Long Term Incentive Plan and the proposed amendment are (i) to further the long-term growth of the Company and its subsidiaries (with the Company and its subsidiaries collectively referred to as the "Employer") by offering competitive incentive compensation related to long-term performance goals to those employees of the Employer who will be responsible for planning and directing such growth, (ii) to reinforce a commonality of interest between the Company's shareholders and the Employer's employees who participate in the plan and (iii) to aid the Employer in attracting and retaining employees of outstanding abilities and specialized skills.

The principal provisions of the 2007 Long Term Incentive Plan are as follows:

1. *Administration.* The 2007 Long Term Incentive Plan is administered by a committee (for purposes of this discussion as to the plan, the "Committee"). Unless changed by the Board, the Committee shall be the Compensation Committee. Subject to the limits and terms of the plan, the Committee (i) selects the employees who will be granted awards, (ii) makes awards, in such forms and amounts and on such conditions as it determines, (iii) interprets the terms of the plan and (iv) performs all other administration functions.

The Committee may delegate to the Company's Chief Executive Officer its right to make awards under the 2007 Long Term Incentive Plan to employees who (i) are not otherwise subject to the stock reporting requirements of Section 16 of the Securities Exchange Act of 1934 and (ii) are not expected to become employees whose compensation is deductible by the Employer only up to certain limits under Section 162(m) of the Internal Revenue Code.

Thus, the Chief Executive Officer generally can grant awards under the 2007 Long Term Incentive Plan to employees of the Employer who are not officers of the Company if delegated this right by the Board. If the Chief Executive Officer is delegated such right, then any reference to the Committee in the following parts of this discussion of the plan should be deemed to be a reference to the Chief Executive Officer to the extent the discussion may apply to any awards that he or she grants under the plan.

2. *Employees Eligible to Receive Awards.* Any person who (i) is employed and classified as an employee by the Employer and (ii) is not represented by a recognized collective bargaining unit (unless such person's eligibility is approved under a collective bargaining agreement between the Employer and the authorized representatives of such collective bargaining unit) is eligible to be granted an award under the plan.

3. *Types of Awards.* The Committee may grant awards under the 2007 Long Term Incentive Plan at any time. The grants may consist of one or a combination of the following forms of awards: (i) stock options, including incentive stock options ("ISOs") and options that are not ISOs, (ii) stock appreciation rights ("SARs"), (iii) restricted stock, (iv) performance shares, (v) share-based performance units, (vi) nonshare-based performance units, and (vii) non-restricted stock. No award may be granted under the plan after May 2, 2017.

(a) *Stock Options.* A stock option represents an option to purchase, over a certain time period not to exceed ten years, a number of common shares at a fixed purchase price. The fixed purchase price of any stock option granted under the plan shall not be less than 100% of the fair market value of a common share on the grant date of the option.

Stock options can either be ISOs or options that are not ISOs. ISOs are special types of stock options that can provide special tax advantages for employees that are not available to options that are not ISOs (but they provide less ability for the Employer to deduct their value when exercised by the applicable employees). Also, by reason of applicable law, the aggregate fair market value of common shares, determined at grant date, for which ISOs can be exercisable for the first time during any calendar year as to any employee is limited by law (the current limitation is $100,000). In addition, the Committee cannot grant an ISO to any employee who owns (directly or constructively) more than 10% of the voting power of the Company's shares.

(b) *Stock Appreciation Rights*. A SAR represents the right, upon exercise of the SAR, to receive payment of a sum not to exceed the amount, if any, by which the fair market value (as determined on the date of the exercise of the SAR) of a number of common shares on which the SAR is based exceeds a fixed grant price of the SAR. The plan provides that the grant price of the common shares that are subject to a SAR may not be less than the fair market value of such common shares as determined on the SARs grant date. A SAR may be granted by itself, in conjunction with new stock options granted at the same time under the plan, or in relation to non-ISO stock options that were previously granted.

(c) *Restricted Stock*. Restricted stock constitutes common shares that may not be disposed of by the employee to whom they are awarded until certain restrictions lapse (and that will ultimately be forfeited to the extent such restrictions are not satisfied). In general and subject to certain exceptions in the plan, such restrictions will not lapse in full unless the employee is employed by the Employer for at least three years after the award's grant (or for at least one year if the award is also subject to performance goal conditions) or unless the employee's employment with the Employer ends in special circumstances (such as his or her death, disability, or retirement). The right to dispose of the restricted stock may also be made subject to the satisfaction of certain performance goals. The restrictions that apply to any restricted stock award may lapse as to a portion of the common shares subject to the award if the employee meets some but not all of the imposed restrictions. Unless the Committee shall otherwise determine, the recipient of restricted stock shall have all rights of a shareholder of the Company with respect to the restricted common shares, including the right to vote and to receive cash dividends.

(d) *Performance Share Award*. A performance share award refers to an award which provides that the employee to whom the award is granted will receive a number of common shares, up to a fixed maximum, if certain conditions are met. In general and subject to the exceptions in the plan, for the maximum number of common shares that are subject to a performance share award to be paid, such conditions must at least require (i) that certain performance goals are met and (ii) that either the employee remains employed by the Employer for at least one year after the award's grant or the employee's employment with the Employer ends in special circumstances (such as his or her death, disability, or retirement). A portion of the maximum number of common shares subject to the award can be paid if some but not all of the conditions imposed under the award are met.

(e) *Share-based Performance Unit*. A share-based performance unit refers to an award which provides that the employee to whom the award is granted will receive an amount that is equal to a percent, not more than 200%, of the fair market value of one common share on the date the amount becomes payable under the award (or is equal to a percent, not more than 200%, of the increase in the fair market value of a common share from the grant date of the award to the date the amount becomes payable) if certain conditions are met. In general and subject to the exceptions in the plan, for the maximum amount payable under a share-based performance unit to be paid, such conditions must at least require (i) that certain performance goals are met and (ii) that either the employee remains employed by the Employer for at least one year after the award's grant or the employee's employment with the Employer ends in special circumstances (such as his or her death, disability, or retirement). A portion of the maximum amount payable under the award can be paid if some but not all of the conditions imposed under the award are met. Any amount that becomes payable under a share-based performance unit can be paid in cash, in common shares or other property, or by a combination thereof, as the Committee may determine.

(f) *Nonshare-based Performance Unit*. A nonshare-based performance unit refers to an award that provides that the employee to whom the award is granted will receive an amount that is equal to a dollar value, not more than a maximum dollar value, if certain conditions are met. In general and subject to the exceptions in the plan, for the maximum amount payable under a nonshare-based performance unit to be paid, such conditions must at least require (i) that certain performance goals are met and (ii) that either the employee remains employed by the Employer for at least one year after the award's grant or the employee's employment with the Employer ends in special circumstances (such as his or her death, disability, or retirement). A portion of the maximum amount payable under the award can be paid if some but not all of the conditions imposed under the award are met. Any amount that becomes payable under a nonshare-based performance unit can be paid in cash, in common shares or other property, or by a combination thereof, as the Committee may determine.

(g) Non-restricted stock granted constitutes an award to an employee of a fixed number of common shares that can be sold or disposed of immediately and without any restrictions. A non-restricted stock award can be granted under the plan only to the extent permitted under the exceptions in the plan.

(h) As an exception to the rules noted in paragraphs (c) through (g) of this section 3, up to but not in excess of 400,000 common shares (in the aggregate) may be issued or paid under any of the following types of awards granted under the 2007 Long Term Incentive Plan during its entire existence: (i) non-restricted stock awards; and (ii) restricted stock, performance share, share-based performance unit, and nonshare-based performance unit awards that fail to require the employees to whom such awards are granted to have to be employed by the Employer for any specified period of time otherwise required for such awards and described in the paragraphs above or to have their employment with the Employer end in any special circumstances (in order for such employees to receive, or retain without forfeiting, the maximum or any amount of compensation reflected by the awards).

4. *Common Shares Reserved for Awards and Other Award Limits*. Subject to adjustment in the case of certain changes in the capital structure of the Company, the following limits apply to the number of common shares that may be issued or paid under or with respect to awards granted under the 2007 Long Term Incentive Plan:

(a) The maximum number of common shares which may be issued or paid under or with respect to all of the awards (considered in the aggregate) granted under the plan during the plan's entire existence shall be equal to 24,000,000 common shares.

(b) The maximum number of common shares which may be issued or paid under or with respect to all stock options and SARs (considered in the aggregate but separately from all other forms of awards) granted under the plan during the plan's entire existence shall be equal to 24,000,000 common shares.

(c) The maximum number of common shares which may be issued or paid under or with respect to all ISOs (considered in the aggregate but separately from all other types of stock options and other forms of awards) granted under the plan during the plan's entire existence shall be equal to 2,000,000 common shares.

(d) The maximum number of common shares which may be issued or paid under or with respect to all restricted stock, performance share, share-based performance unit, nonshare-based performance unit, and non-restricted stock awards (considered in the aggregate but separately from all other forms of awards) granted under the plan during the plan's entire existence shall be equal to 13,400,000 common shares.

If any portion of a SAR is settled (paid) upon the exercise of such SAR portion by the issuance or payment of common shares, the total number of common shares on which such SAR portion was based shall be counted as common shares issued or paid under the 2007 Long Term Incentive Plan for purposes of the foregoing limits, regardless of the number of common shares actually issued or paid to settle such SAR portion upon its exercise.

Also, if any award or portion of any award is forfeited, expires, or otherwise terminates without the payment of common shares or any other amount, the maximum number of common shares on which such award or portion of an award was based or which could have been paid under the award or portion of the award shall again be available to be issued or paid under the 2007 Long Term Incentive Plan and to be the basis on which other awards may be granted under the plan. As a result, they shall not be counted as common shares that were issued or paid under the plan in determining whether any of the foregoing limits are violated.

Further, any common shares that would be issued or paid under an award but are withheld in payment of any purchase price or tax withholding requirements shall not again be deemed to be available to be issued or paid under the 2007 Long Term Incentive Plan or to be the basis on which other awards may be granted under the plan and thus shall be counted as common shares that were issued or paid under the plan in determining whether any of the foregoing limits are violated.

In addition to the foregoing limits and subject to adjustment in the case of certain changes in the capital structure of the Company, the limits set forth below apply in determining the maximum number of common

shares or maximum amount of compensation that may ultimately be payable under any awards granted under the 2007 Long Term Incentive Plan to any employee during any one calendar year:

The maximum number of common shares on which all stock option, SAR, restricted stock, performance share, share-based performance unit, and non-restricted stock awards (considered in the aggregate) granted under the plan to any employee during each and any calendar year may be based (that is, the maximum number of common shares that can be issued or paid under such awards or have their fair market value or increase in fair market value over a period used to determine the amount of payments under such awards) shall be 2,000,000 common shares.

Such maximum number of common shares could be the basis of awards of any one of such forms (either stock option, SAR, restricted stock, performance share, share-based performance unit, or non-restricted stock awards) granted to an employee during any calendar year or divided among more than one of such forms of awards that are granted to the employee during the year.

For example, if a SAR granted to an employee under the 2007 Long Term Incentive Plan during a certain calendar year provides that the employee, if he or she properly exercises on any date the entire SAR, will receive payment of a sum equal to the amount, if any, by which (i) the fair market value of 30,000 common shares as determined as of the date on which the SAR is exercised exceeds (ii) the fair market value of such number of common shares as determined as of the date on which the SAR was granted, then, for purposes of applying the above-described 2,000,000 common share limit to such employee for such calendar year, the maximum number of common shares on which such SAR shall be deemed to be based is 30,000 common shares, regardless of whether or not the employee actually exercises all or any part of the SAR and regardless of whether or not any payment made upon the exercise of the SAR is made in cash, common shares or other property, or a combination thereof.

Similarly and for another example, if a share-based performance unit granted to an employee under the 2007 Long Term Incentive Plan during a certain calendar year provides that the employee will receive a maximum payment (of cash, common shares or other property, or a combination thereof) that is equal to 200% of the fair market value of 50,000 common shares as determined as of the date of payment if all of the performance goals and other criteria or conditions required to be satisfied under the award are met (or will receive no payment if none, or a lesser amount of payment if some but not all, of the performance goals and other criteria or conditions required to be satisfied under the award are met), then, for purposes of applying the above-described 2,000,000 common share limit to such employee for such calendar year, the maximum number of common shares on which such share-based performance unit shall be deemed to be based is 50,000 common shares, regardless of whether or not the share-based performance unit's maximum payment actually becomes payable under the terms of the award.

The maximum value that is payable under all nonshare-based performance unit awards granted under the plan to any person during each and any calendar year shall be $5,000,000

5. *Performance Goals*. To the extent the meeting of performance goals set by the Committee may be a condition to the exercise of or payment under any award granted under the 2007 Long Term Incentive Plan, the Committee may base such performance goals on, and only on, one or more of the following criteria: (i) free cash flow (cash generated by operating activities, minus capital expenditures and other investing activities, dividend payments and proceeds from the issuance of equity securities, and proceeds from the sale of assets); (ii) EBITDA (earnings before interest, taxes, depreciation, and amortization); (iii) earnings per share; (iv) operating income; (v) total shareholder returns; (vi) profit targets; (vii) revenue targets; (viii) profitability targets as measured by return ratios; (ix) net income; (x) return on sales; (xi) return on assets; (xii) return on equity; and (xiii) corporate performance indicators (indices based on the level of certain services provided to customers).

Any performance criteria shall be measured or determined on the basis of a period of not less than one year or in excess of ten years and shall be able to be objectively determined by the Committee. In addition, any such performance criteria (i) may be measured or determined for the Company, for any organization other than the Company that is part of the Employer, for the entire Employer in the aggregate, or for any group of corporations or organizations that are included in the Employer and (ii) may also be measured and determined in an absolute sense and/or in comparison to the analogous performance criteria of other publicly-traded companies (that are selected for such comparison purposes by the Committee).

Further, the Committee may provide in the terms of an award granted under the 2007 Long Term Incentive Plan that, in determining whether any of the above listed performance criteria has been attained, certain special or technical factors shall be ignored or, conversely, taken into account, in whole or in part. Such special factors may include, but are not limited to, the gain, loss, or other impact of any one or more of the following: (i) changes in generally accepted accounting principles; (ii) an extraordinary event; (iii) nonrecurring events; (iv) the disposition of a business, in whole or in part, the sale of investments or non-core assets, or discontinued operations, categories, or segments of businesses; (v) claims and/or litigation and insurance recoveries relating to claims or litigation; (vi) the impairment of tangible or intangible assets; (vii) restructuring activities, including reductions in force; (viii) investments or acquisitions; (ix) political and legal changes that impact operations, as a consequence of war, insurrection, riot, terrorism, confiscation, expropriation, business interruption, or similar events; (x) natural catastrophes; (xi) currency fluctuations; (xii) the issuance of stock options and/or other stock-based compensation; (xiii) the early retirement of debt; and/or (xiv) the conversion of convertible debt securities.

6. *Change in Control*. In the event a change in control of the Company (as is defined in the terms of the 2007 Long Term Incentive Plan) occurs and awards granted under the 2007 Long Term Incentive Plan are not continued, assumed or substituted, then, in general terms and among other things (unless otherwise prescribed by the terms of the applicable award): (i) all then outstanding stock options and SARs that were granted under the plan will become exercisable in full; (ii) the restrictions still then in force and applicable to any common shares that have been awarded under the plan as restricted stock shall lapse; and (iii) any outstanding performance share, share-based performance unit and nonshare-based performance unit awards granted under the plan shall become payable at the maximum payment amount that was attainable under such awards if all performance goals and other criteria or conditions applicable to the awards were satisfied.

In addition, unless otherwise prescribed by the Committee in an award, in the event of a change in control of the Company, the Committee will have discretion (i) to pay in cash (in lieu of the right to exercise) the then value of any then outstanding stock option or SAR provided that the then fair market value of the common shares that are subject to such option or SAR exceeds such option's or SAR's purchase price or grant price as to such shares and (ii) to pay in cash (instead of in common shares) the then value of any then outstanding performance share, share-based performance unit and nonshare-based performance unit awards.

Further, in the event a change in control of the Company occurs and awards granted under the 2007 Long Term Incentive Plan are continued, assumed, or substituted, and the employee to whom the awards are granted experiences an involuntary termination of employment within twenty-four months following the change in control, then, in general terms upon the date of the employee's termination of employment: (i) all outstanding stock options and SARs that were granted under the plan to the employee shall become exercisable in full; (ii) the restrictions still then in force and applicable to any common shares that have been awarded to the employee under the plan as restricted stock shall lapse; and (iii) any performance share, share-based performance unit and non-share based performance unit awards granted to the employee under the plan shall become payable at the maximum payment amount that was attainable under such awards if all performance goals and other criteria or conditions applicable to the awards were satisfied.

7. *Adjustments for Stock Dividends, Stock Splits, and Other Corporate Transactions*. In the event of any change affecting the common shares by reason of any stock dividend or split, recapitalization, merger, consolidation, spin-off, combination or exchange of shares, or other corporate change in the Company, or any distributions to common shareholders of the Company other than cash dividends, the Committee will make such adjustments in the aggregate number or class of common shares which may be distributed under the 2007 Long Term Incentive Plan and in the number, class, and purchase, grant, or other price of shares on which the outstanding awards granted under the plan are based as it determines to be necessary or appropriate to prevent any rights provided under the plan and its awards from being enlarged or diluted by such event.

8. *Fair Market Value of Common Shares*. For purposes of the 2007 Long Term Incentive Plan, the fair market value of a common share on any date shall generally be deemed to be the closing price of a common share on the NYSE on such date (or, if no trading in any stocks occurred at all on such exchange on such date, on the next subsequent date on which trading of stocks occurred on such exchange). If, however, common shares are not listed or traded at all on the NYSE on any date as of which a common share's fair market value is needed to be determined for purposes of the plan, then the fair market value of a common share on such date will be determined by the Committee in good faith.

9. *No Repricing of Stock Options or SARs.* Without shareholder approval, the terms of awards granted under the plan may not be amended to reduce the exercise price that applies to stock options or SARs, and no stock option or SAR may be cancelled in exchange for a cash payment, other awards or stock options or SARs with an exercise price that is less than the exercise price applicable to the original stock option or SAR.

10. *Amendment and Termination*. The 2007 Long Term Incentive Plan may generally be amended or terminated by the Board, provided that no such action shall impair the rights of an employee with respect to a previously granted award without the employee's consent.

However, the 2007 Long Term Incentive Plan provides that no amendment to the plan shall be made without approval of the Company's shareholders: (i) if such amendment would increase the total number of common shares reserved for issuance under all awards that may be granted under the plan; (ii) if such amendment would change the class of employees eligible for awards under the plan; (iii) if such amendment would increase the total number of shares reserved for issuance under all ISOs that may be granted under the plan; or (iv) if such amendment would make any other change in the plan that is required by applicable law to be approved by the Company's shareholders in order to be effective.

Further, the purchase, grant, or other similar price applicable to any award granted under the 2007 Long Term Incentive Plan, including a stock option or a SAR granted under the plan, cannot be reduced by any amendment to the award, by the cancellation of the award and the granting of a new award, or by any other means unless such reduction is approved by the Company's shareholders.

11. *Federal Income Tax Consequences*. The following describes, in very general terms, the federal income tax consequences arising with respect to awards granted under the 2007 Long Term Incentive Plan.

A stock option or SAR that is granted to an employee will generally create no tax consequences for the employee or the Employer at the time of the grant of the award. Further, the employee will have no taxable income upon exercising an ISO (except that the alternative minimum tax may apply), and the Employer will receive no deduction when an ISO is exercised. Upon exercising any other stock option (an option that is not an ISO) or a SAR, however, the employee generally must recognize ordinary compensation income equal to the amount by which the fair market value of the common shares that are subject to the portion of the option or SAR being exercised, as determined on the date of exercise, exceeds the purchase or grant price of such common shares, and the Employer will be entitled to a deduction for the same amount.

The treatment to an employee of a disposition of common shares acquired through the exercise of a stock option or a SAR depends on how long the common shares have been held and on whether such common shares were acquired by exercising an ISO or by exercising an option that is not an ISO or a SAR. Generally, there will be no tax consequence to the Employer in connection with a disposition of common shares acquired under a stock option except that the Employer may be entitled to a deduction in the case of a disposition of common shares acquired under an ISO before certain holding periods have been satisfied.

With respect to a restricted stock, performance share, share-based performance unit or nonshare-based performance unit award granted under the 2007 Long Term Incentive Plan to an employee, the employee generally must recognize ordinary compensation income equal to the fair market value of the common shares or other property or benefits provided under the award at the first time such common shares or other property or benefits are not subject to a substantial risk that they will be forfeited or not become payable; and the Employer will be entitled then to a deduction for the same amount.

In certain cases, such as an award to an employee of restricted stock, the employee may have the right under Section 83(b) of the Internal Revenue Code to elect to recognize as ordinary compensation income the value of the award when issued instead of when no further substantial risk of forfeiture exists with respect to the award. In the event of such an election, the Company will be entitled to a deduction for such value at the same time.

With respect to a non-restricted stock award granted under the 2007 Long Term Incentive Plan to an employee, the employee generally must recognize ordinary compensation income equal to the fair market value of the common shares received under the award at the time it is received; and the Employer will be entitled to a deduction for the same amount.

The foregoing tax rules may be slightly adjusted for an award granted to an employee who is subject to Section 16 of the Securities Exchange Act of 1934.

12. *Miscellaneous*. The 2007 Long Term Incentive Plan generally requires that any purchase price or tax withholding obligations that apply to an employee with respect to an award granted under the plan to him or her must be satisfied by the employee when the award is exercised or when the award's benefits become payable or are no longer subject to a substantial risk of forfeiture. The plan gives several different methods that the Committee can use or permit to ensure that such purchase price and tax withholding requirements are satisfied.

Any award granted under the 2007 Long Term Incentive Plan to an employee who is, at the time of the award, an employee of a corporation that is not the Company but is part of the Employer may be based on common shares of such other corporation. In such case, all of the provisions of the plan and this discussion, including the common share limits noted above, apply to such award in the same manner as if such other corporation's shares were common shares of the Company.

Further, in no event shall the Company ever be obligated to issue or deliver any common shares in connection with an award granted under the 2007 Long Term Incentive Plan unless and until the Company determines that such issuance or delivery will not constitute a violation of the provisions of any applicable law (or regulation issued under such law) or the rules of any securities exchange on which common shares are listed.

Vote Required

Approval of an amendment to the Cincinnati Bell Inc. 2007 Long Term Incentive Plan requires the affirmative vote of the holders of a majority of the common shares and 6¾% Cumulative Convertible Preferred Shares, voting as one class, present or represented at the Annual Meeting, in person or by proxy, and entitled to vote on this proposal. Abstentions will have the same effect as votes against the proposal. Since the Company believes this proposal to be "non-routine," brokers will not have discretion to vote on this proposal without your instruction.

Our Recommendation

The Board unanimously recommends a vote FOR the approval of the amendment to the Cincinnati Bell Inc. 2007 Long Term Incentive Plan.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2014 regarding securities of the Company to be issued and remaining available for issuance under the equity compensation plans of the Company:

Plan Category	Number of securities to be issued upon exercise of stock options, awards, warrants and rights (a)	Weighted-average exercise price of outstanding stock options, awards, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	7,653,877(1)	$3.84	1,551,558(3)
Equity compensation plans not approved by security holders	166,721(2)	—	294,701
Total	7,820,598	$3.84	1,846,259(3)

(1) Includes 5,224,346 outstanding stock options and stock appreciation rights not yet exercised, 683,903 shares of time-based restricted stock, and 1,745,628 shares of performance-based awards, restrictions on which have not expired as of December 31, 2014. Awards were granted under various incentive plans approved by Cincinnati Bell shareholders. The number of performance-based shares assumes the maximum awards that can be earned if the performance conditions are achieved.

(2) The shares to be issued relate to deferred compensation in the form of previously received special awards and annual awards to non-employee directors pursuant to the "Deferred Compensation Plan for Outside Directors." From 1997 through 2004, the directors received an annual award of phantom stock equivalent to a number of common shares. For years beginning after 2004, the annual award is the equivalent of 6,000 common shares. As a result of a plan amendment effective as of January 1, 2005, upon termination of Board service, non-employee directors are required to take distribution of all annual phantom stock awards in cash. The number of actual shares of common stock to be issued pursuant to the plan as of December 31, 2014 is approximately 11,500. 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.

(3) If the amendment to the 2007 Long Term Incentive Plan being voted upon at the 2015 Annual Meeting is approved by the shareholders, an additional 6,000,000 securities will be available for issuance under equity compensation plans approved by shareholders.

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
(Item 4 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 26, 2015, 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, 2015.

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, 2015. 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, 2015.

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

Vote Required

Ratification of the appointment of Deloitte & Touche LLP as the Independent Registered Public Accounting Firm of the Company requires the affirmative vote of the holders of a majority of the common shares and 6¾% Cumulative Convertible Preferred Shares, voting as one class, present or represented at the Annual Meeting, in person or by proxy, and entitled to vote on this proposal. Abstentions will have the effect of a vote against the proposal. Since the Company believes this proposal to be "routine," broker non-votes will likely be voted by the organizations holding such shares in their discretion.

Our Recommendation

The Board recommends a vote "FOR" such ratification of the appointment of Deloitte & Touche LLP as the Independent Registered Public Accounting Firm for the year 2015.

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, 2014, 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, 2014 be included in the Company's Annual Report on Form 10-K for the Company's fiscal year ended December 31, 2014.

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

AUDIT AND FINANCE COMMITTEE

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

INDEPENDENT ACCOUNTANTS

Audit Fees

Deloitte & Touche LLP was the Company's Independent Registered Public Accounting Firm for the 2014 and 2013 fiscal years. Aggregate fees for professional services rendered by Deloitte & Touche LLP for the years ended December 31, 2014 and 2013 were as follows:

	2014	2013
Audit fees	$1,420,000	$1,456,500
Audit related fees	32,000	51,000
Tax fees	7,500	43,500
All other fees	—	—
Total	$1,459,500	$1,551,000

Audit fees

The audit fees for the years ended December 31, 2014 and 2013 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 years ended December 31, 2014 and 2013 were for various accounting consultations.

Tax fees

Tax fees for the years ended December 31, 2014 and 2013 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, 2014 and 2013.

STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of common shares as of December 31, 2014 (except as otherwise noted) by each beneficial owner of more than five percent (5%) of the common shares and 6¾% Cumulative Convertible Preferred shares outstanding known by the Company.

Name and Address of Beneficial Owner	Common Shares Beneficially Owned	Percent of Common Shares	6 ¾% Convertible Preferred Shares Beneficially Owned	Percent of 6 ¾% Convertible Preferred Shares
GAMCO Investors, Inc. and affiliates One Corporate Center Rye, NY 10580	25,926,170(a)	12.37%	11,002(b)	7.09%
BlackRock, Inc. 55 East 52nd Street New York, NY 10022	23,288,841(c)	11.10%	*	*
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	18,889,128(d)	9.02%	*	*
Wells Fargo & Company 420 Montgomery Street San Francisco, CA 94104	11,705,566(e)	5.59%	*	*

* Indicates ownership of less than 1% of the issued and outstanding class of shares

(a) As reported on Schedule 13D/A filed on December 4, 2014 by GAMCO Investors, Inc., Gabelli Funds, LLC has sole voting and dispositive power for 10,846,849 common shares, GAMCO Asset Management Inc. has sole voting power for 13,227,914 common shares and sole dispositive power for 13,982,365 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 7,000 common shares, Teton Advisors Inc. has sole voting and dispositive power for 750,005 common shares, Gabelli Securities, Inc. has sole voting and dispositive power for 301,551 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 indicated in Schedule 13D/A filed on December 4, 2014 by GAMCO Investors, Inc., GAMCO Asset Management Inc. and Gabelli Funds, LLC owned in the aggregate a number of 6¾% Cumulative Convertible Preferred Shares that would convert into 220,049 common shares if converted. Based upon the conversion rate of 20 to 1, the Schedule 13D/A filing indicated ownership of approximately 11,002 6 3/4% Cumulative Convertible Preferred Shares. The Company has 155,250 6 3/4% Cumulative Convertible Preferred Shares outstanding. As noted on page 5, each 6¾% Cumulative Convertible Preferred Share is entitled to one vote.

(c) As reported on Schedule 13G/A filed on January 9, 2015 by BlackRock, Inc., as of December 31, 2014, BlackRock, Inc. has sole voting power for 22,739,847 common shares and sole dispositive power for 23,288,841 common shares.

(d) As reported on Schedule 13G/A filed on February 11, 2015 by The Vanguard Group, as of December 31, 2014, The Vanguard Group has sole voting power for 316,075 common shares and sole dispositive power for 18,596,282 common shares. The Vanguard Group has shared dispositive power for 292,846 common shares with Vanguard Fiduciary Trust Company.

(e) As reported on Schedule 13G/A filed on February 17, 2015 by Wells Fargo & Company, as of December 31, 2014, Wells Fargo & Company beneficially owns 11,705,566 common shares and has shared voting power for 11,695,511 common shares, shared dispositive power for 11,652,061 common shares, and sole voting and dispositive power for 10,055 common shares.

The following table sets forth the beneficial ownership of common shares and 6¾% Cumulative Convertible Preferred Shares as of March 2, 2015 (except as otherwise noted) by (i) each director identified on page 14 and each executive officer named in the Summary Compensation Table on page 55, 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 2, 2015 (a)	Percent of Common Shares (b)	6¾% Convertible Preferred Shares Beneficially Owned as of March 2, 2015 (c)	Percent of 6¾% Cumulative Convertible Preferred Shares (c)
Phillip R. Cox	100,386	*	—	*
Joshua T. Duckworth	8,331	*	—	*
John W. Eck (d)	—	*	—	*
Leigh R. Fox	55,445	*	—	*
Jakki L. Haussler	99,044	*	—	*
David L. Heimbach (e)	96,114	*	—	*
Craig F. Maier	97,469	*	—	*
Russel P. Mayer	21,943	*	—	*
Theodore H. Schell (f)	—	*	—	*
Alan R. Schriber	70,365	*	—	*
Thomas E. Simpson	3,717	*	—	*
Theodore H. Torbeck	1,124,505	*	—	*
Lynn A. Wentworth	95,885	*	—	*
Christopher J. Wilson	325,626	*	—	*
John M. Zrno (g)	206,610	*	—	*
All directors and executive officers as a group (consisting of the 15 persons named above)	2,305,440	1.1%	—	*

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

(a) Includes common shares subject to outstanding options 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 2, 2015. The following options are included in the totals: 27,000 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; 89,541 common shares for Mr. Torbeck; 71,633 common shares for Mr. Wilson; and 75,400 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 209,560,434 common shares issued and outstanding as of March 2, 2015, 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. Eck joined the Board effective October 20, 2014 and does not own any common shares of Cincinnati Bell stock.

(e) Mr. Heimbach resigned from his position as Chief Operating Officer of Cincinnati Bell Inc. effective as of December 9, 2014. The number shown in the table for Mr. Heimbach is as of December 9, 2014.

(f) Mr. Schell resigned from the Board effective July 8, 2014, and forfeited 21,943 restricted stock units. The number shown in the table for Mr. Schell is as of his resignation date.

(g) 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, 2014.

COMPENSATION COMMITTEE

Craig F. Maier, Chairman
Phillip R. Cox
Jakki L. Haussler
Alan R. Schriber
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 its shareholders and its executives.

In early 2013, the Company announced a strategy aimed at transforming Cincinnati Bell from a legacy copper-based telecommunications company into a fiber based entertainment, communications, and IT solutions company with growing revenue, growing profits and significant sustainable cash flows and a healthy balance sheet. To accomplish its objectives, management identified three key initiatives: continue the expansion of the fiber network, evaluate opportunities to monetize the Company's CyrusOne investment and manage Wireless operations for cash flow and profitability while seeking strategic alternatives for that business. Over the past two years, the Company has made considerable progress in its transformational efforts and has accomplished each of its financial and operational objectives established for 2014:

- Generated Wireline segment revenue growth for the first time since 2007 — Fioptics annual revenue exceeded $140 million, up more than 40% year-over-year;
- Achieved financial guidance (excluding the Wireless business) — revenue totaled $1.1 billion and Adjusted EBITDA was $335 million;
- Sold 16 million CyrusOne partnership units for $356 million of cash — proceeds were used to repay debt, increasing net cash flow $15 million annually;
- Completed the sale of wireless spectrum licenses for cash proceeds of $194 million. The transfer of approximately $25 million in certain assets and capital lease obligations will occur in first half of 2015;
- Produced positive free cash flow for the year totaling $12 million; and
- Announced a plan to accelerate the pace of our fiber investments in order capitalize on increasing demand for these products and capture market share considering the unique market opportunity.

Cincinnati Bell's goal is to become the preferred communications and technology partner in the region. The investments made in fiber and other strategic products have significantly improved the Company's financial trajectory and perception in the marketplace. The Company recently launched Gigabit Internet service, providing the fastest speeds anywhere, and, in September 2014, announced a plan to further accelerate the Fioptics investment. The revised plan expands our fiber network to provide the Fioptics suite of services to up to 80% of the Company's market in order to capitalize on increasing consumer demand for the products and to capture market share.

Our long-term performance based awards have been modified to further align executive compensation with shareholder interest. First, a new performance metric that focuses on driving revenue growth attributable to new products and services ("strategic revenue") over sustained periods has been added to the existing metrics of adjusted EBITDA and unlevered cash return on average assets. These three metrics are now equally weighted to insure a balanced focus on what the Company considers to be the key drivers of long-term sustainable shareholder value. Second, the Compensation Committee eliminated all interim payouts such that the entire payout of the award is now based on the aggregate three-year performance period, thereby increasing the focus on long-term results and talent retention. Finally, the three-year calculated payout will be further adjusted by a total shareholder return ("TSR") factor based on the Company's TSR performance when compared to the Russell 2000.

The Compensation Committee made several other changes to the Company's compensation policies and practices in 2014 that demonstrate the Company's continued commitment to best practices and a pay-for-performance culture. These changes are detailed below and include: (i) using general industry market data as the primary information source for setting executive compensation; (ii) adoption of a prohibition on cash buyouts of underwater options in the absence of shareholder approval; (iii) implementation of double-trigger equity vesting in the event of the change in control of the Company; and (iv) substantial changes to the peer groups used to benchmark executive compensation to eliminate companies that are substantially larger than the Company.

We believe 2014’s success confirms that the Company’s executive compensation program is effective in focusing our key executive talent on driving the attainment of strategic 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 while driving appropriate business behavior without inducing executives to take undue business risks.

Named Executive Officers

The Company's 2014 named executive officers ("NEOs") were:

Theodore H. Torbeck	President and Chief Executive Officer
David L. Heimbach (a)	Former Chief Operating Officer
Leigh R. Fox	Chief Financial Officer
Thomas E. Simpson (b)	Chief Technology Officer
Christopher J. Wilson	Vice President, General Counsel and Secretary
Joshua T. Duckworth	Vice President, Investor Relations and Controller

(a) Effective December 9, 2014, David L. Heimbach resigned as Chief Operating Officer.
(b) Effective July 31, 2014, Thomas E. Simpson was appointed Chief Technology Officer of Cincinnati Bell Telephone Company, LLC. Mr. Simpson was named Chief Technology Officer of the Company on January 27, 2015.

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

Consolidated revenue totaled $1,278.2 million for 2014, up 2%, as the growth from our strategic products, combined with increased telecom and IT equipment sales, more than offset declines from wireless and legacy products. Revenue from our strategic products totaled $435.6 million in 2014, up 21% compared to 2013.

Operating income in 2014 was $115.8 million, down from the prior year primarily due to increased costs associated with winding down wireless operations. Wireless restructuring charges totaled $16.3 million, in addition to an asset impairment of $7.5 million and $62.2 million additional depreciation and amortization expense due to reducing the useful lives of certain wireless assets. These cost increases were partially offset by accelerated deferred gain amortization and one-time IPO transaction related compensation in the prior year.

Net income for the year equaled $75.6 million resulting in basic and diluted earnings per share of $0.31 due largely to the gain on the initial monetization of our CyrusOne equity method investment. On June 25, 2014, we consummated the sale of 16.0 million partnership units of CyrusOne LP to CyrusOne, Inc. at a price of $22.26 per unit. The sale generated proceeds of $355.9 million and resulted in a gain of $192.8 million. As of December 31, 2014, we effectively own 44% of CyrusOne, which is held in the form of 1.9 million shares of CyrusOne common stock and 26.6 million CyrusOne LP partnership units.

In the second quarter of 2014, we entered into agreements to sell our wireless spectrum licenses and certain other assets related to our wireless business. The sale of our Wireless spectrum licenses closed on September 30, 2014, and we received cash proceeds of $194.4 million. Also, on September 30, 2014, the Company entered into a separate agreement to use certain spectrum licenses until we no longer provide wireless service, which will be no later than April 6, 2015. As the Company continues to use the licenses, it deferred the gain of $112.6 million related to the sale of the spectrum. We will transfer certain leases and other assets valued at approximately $25 million to the acquiring company no later than April 6, 2015.

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 2014 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 financial and strategic 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 strategic revenue, adjusted EBITDA, and unlevered cash return on assets. The table below highlights the year-over-year comparison of performance under these measures:

Performance Measure (a)	Fiscal Year 2014	Fiscal Year 2013	% Change	2014 Adjusted Target
Revenue (b)	$1.15 B	$ 1.24 B	(7)%	$1.07 B
Adjusted EBITDA (b)	$341 M	$ 407 M	(16)%	$335 M
Free Cash Flow (b)	$ 12 M	$(52) M	n/m	n/a

(a) Effective with the 2014 grants of the long-term incentive performance based-awards, the Compensation Committee modified the award metrics. See previous discussion on page 38.

(b) See Annex A for a reconciliation of revenue, adjusted EBITDA and free cash flow to the nearest GAAP based financial measures. Adjustments were made to reflect the impact of the CyrusOne IPO in 2013, the closing of the agreements to sell our wireless spectrum licenses in 2014, and other adjustments.

Performance Cycle	Unlevered Cash Return Actual Results (*)		
	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012
2012-2014	17.3%	16.2%	15.9%
2013-2015	18.4%	16.7%	n/a

* Unlevered cash return on assets is measured on a cumulative basis.

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	2014 Key Actions
Base Salary	• Allows Company to attract and retain executives • Recognizes individual performance through merit increases • Recognizes 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	• Mr. Heimbach received an increase in October to reflect his increased responsibilities • Mr. Simpson received an increase in July to reflect his increased responsibilities • No other NEOs received increases in 2014
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 approximately 105% of target. Together with the individual performance portion, NEO total annual incentive payouts ranged from 110% to 124% 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	• No stock options or stock appreciation rights were granted to any NEO in 2014
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	• Grants were made in the form of performance-based shares or units • Beginning with the 2014 grant, a single payout will be made at the successful completion of the 3-year performance period

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 only 24% of the Chief Executive Officer's 2014 target compensation and 38% of the other NEOs' 2014 target compensation. The percentages for the other NEOs reflect the fact Mr. Simpson was not an executive officer 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. In May, 2014, the Compensation Committee approved substantial increases to the stock ownership guidelines applicable to the NEOs. See page 53 for a more detailed discussion.
- 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 in the absence of shareholder approval. 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 previously granted equity awards that are continued, assumed or substituted to vest.
- Executive Compensation Benchmarking. 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. We target each pay component and total pay at the 50th percentile.
- 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.

2014 Say-on-Pay Vote and Shareholder Outreach

In 2014, approximately 51.6% of the shares voted with respect to the Company's say-on-pay proposal voted "for" approval of the Company's executive compensation. This low rate of shareholder approval was driven primarily by the Compensation Committee's decision to pay the Company's former chief executive officer a substantial discretionary bonus for his leadership in developing and executing the Company's data center growth strategy, which culminated in the successful initial public offering of CyrusOne on January 24, 2013. The Company's remaining ownership stake in CyrusOne was valued at $785.0 million as of December 31, 2014. The reasons for this discretionary bonus payment, which had already been approved and paid by the date of last year's proxy statement, were explained in detail in the proxy statement. However, the discretionary bonus payment resulted in negative say-on-pay recommendations from two prominent proxy advisory firms.

Beginning in the fall of 2013 and continuing throughout last year's proxy solicitation period, the Chairman of the Board, the Chairman of the Compensation Committee, the Compensation Committee's independent compensation consultant, and certain members of senior management met directly with many of the Company's major shareholders to obtain feedback on the Company's strategic direction as well as its executive compensation program. The Company's representatives also sought and received shareholder feedback on the discretionary bonus discussed above. In addition, the Compensation Committee considered the concerns expressed by the proxy advisory firms in their 2014 reports on the Company's say-on-pay proposal.

In response to this feedback from shareholders and the proxy advisory firms, the Compensation Committee implemented a number of changes to the 2007 Long Term Incentive Plan and to the terms of the awards granted under the Plan in 2014. The Compensation Committee also approved increases to the stock ownership guidelines applicable to the NEOs. These changes as well as several other new compensation practices are discussed above. Based on discussions with shareholders, the Company believes that these changes have been well received and are generally seen as a more balanced approach to aligning management compensation with shareholder return.

The Compensation Committee is well aware of the concerns that last year's discretionary bonus payment raised and will be mindful of these concerns in the future. The Compensation Committee will continue to consider results from annual shareholder advisory votes when reviewing the Company's executive compensation practices. In addition, the Company's 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.

With the exception of Messrs. Heimbach and Simpson, no NEOs received base salary increases in 2014. Mr. Heimbach was named Chief Operating Officer on November 20, 2013, but did not receive an increase in base salary. The Compensation Committee approved an increase in his base salary effective October 23, 2014 commensurate with his increased responsibilities. Mr. Heimbach resigned from the Company on December 9, 2014. Mr. Simpson received an increase in his base salary and annual incentive target effective July 31, 2014 commensurate with his promotion to Chief Technology Officer of Cincinnati Bell Telephone Company, LLC.

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 2014:

- 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. The same scale was approved for 2014 targets:

	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 2014 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	100%
Leigh R. Fox	100%
Thomas E. Simpson	60%
Christopher J. Wilson	65%
Joshua T. Duckworth	50%

In 2014, for annual incentive purposes, the chart below sets out the adjusted EBITDA and revenue target goals and actual results (adjusted as described in Annex A), which produced a weighted-average payout for the financial portion of approximately 105% of target:

Financial Objective	2014 Threshold Performance Level	2014 Adjusted Target	2014 Superior Performance Level	2014 Actual Results
Adjusted EBITDA	95%	$335 M	120%	$341 M
Revenue	95%	$1.07 B	120%	$1.15 B

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 2014 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	105%	105%	200%	$928,800
David L. Heimbach (a)	—	—	—	—
Leigh R. Fox	105%	105%	180%	$419,440
Thomas E. Simpson (b)	110%	110%	—	$145,051
Christopher J. Wilson	105%	105%	130%	$252,456
Joshua T. Duckworth	105%	105%	130%	$109,840

(a) Mr. Heimbach resigned effective December 9, 2014 and will not receive a payout.
(b) Mr. Simpson participated in the Management Team Incentive Award program in 2014.

Long-term Incentives

The long-term incentives granted to NEOs in 2014 consist of performance shares or units. 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 performance shares/units to grant is determined by dividing the approved award amount by the closing price of a share of common stock on the day the Board approves the financial results. The Compensation Committee's policy is not to grant more than 2,000,000 shares per year in connection with long-term incentive awards under the 2007 Long Term Incentive Plan. To the extent that the settlement of the long-term incentive awards in any year exceeds 2,000,000 shares, the excess portion of the incentives are settled in cash.

Stock Options/SARs

No stock options or SARs were granted to any NEO in 2014.

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 (for awards granted prior to 2014) of the one-year, two-year cumulative and three-year cumulative financial goal(s) for the next three-year performance period. Beginning with the 2014 awards, performance goal attainment will be based on the achievement of the specific Company quantitative goals for the aggregate three-year performance period ending on December 31, 2016, as approved by the full Board.

The threshold, target and superior performance levels are the same for each of the NEOs. For the 2012 and 2013 performance cycles, actual adjusted free cash flow and 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 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)
2012-2014					
2012	14.5%	16.0%	17.5%	16.0%	100%
2013	14.5%	16.0%	17.5%	16.2%	107%
2014	14.5%	16.0%	17.5%	17.3%	143%
2013-2015					
2013	15.5%	17.0%	18.5%	16.7%	95%
2014	15.5%	17.0%	18.5%	18.4%	147%

(a) The maximum payout on any interim performance cycle is 100%; the maximum payout for the full 3-year 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

For the 2014 three-year performance cycle ending December 31, 2016, strategic revenue, adjusted EBITDA and unlevered cash return on assets are equally weighted. For strategic revenue and adjusted EBITDA, achievement must be at least 95% of the target goal in order to generate a threshold level payout equal to 50% of the target award for each executive. For unlevered cash return on assets, achievement must be at least 17.2% in order to generate a threshold level payout equal to 50% of the target award for each executive. The final payout calculation is subject to a +/- 15% adjustment based on the Company's Total Shareholder Return over the three-year performance period compared to the Russell 2000 Index. Achievement less than the 35th percentile of the Russell 2000 Index will result in a 15% reduction while achievement greater than the 65th percentile will result in a 15% increase.

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 59 - 60, 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.

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 grants its 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 its compensation consultant, 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 market compensation practices. The Compensation Committee uses the information provided by Towers Watson to validate that each NEO's compensation package is competitive 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. Effective January 28, 2014, the Compensation Committee approved the use of Towers Watson's executive compensation survey data as the primary source for market competitive assessments of NEO pay levels.

The first peer group consists of 126 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
- Accellent
- Aimia*
- Allegion
- American Greetings
- Americas Styrenics
- AMSTED Industries
- Ansell
- Arby's Restaurant
- Armstrong World Industries
- Arup USA*
- BBA Aviation*
- Beam Suntory
- Bob Evans Farms
- Boise Cascade
- Brembo*
- Broadridge Financial Solutions
- Carmeuse North America Group*
- CDI
- Chemtura
- Chico's FAS
- Citrix Systems
- Clearwater Paper Corporation
- Columbia Sportswear
- Cooper Standard Automotive
- Covance
- Cracker Barrel Old Country Stores
- Crown Castle
- Cubic
- Curtiss-Wright
- Cytec Industries
- Deluxe
- Dentsply
- Donaldson
- DST Systems
- DSW
- Eastman Kodak
- Edwards Lifesciences
- Equifax
- Esterline Technologies
- Exterran
- Follett Corporation
- G&K Services
- GAF Materials
- GENCO
- Glatfelter
- Graco
- Group General Atomics
- H.B. Fuller
- Harsco
- Hercules Offshore
- Herman Miller
- Hexcel
- HNI
- HomeServe USA*
- Hubbell
- Husky Injection Molding Systems*
- IDEXX Laboratories
- Intercontinental Hotels Group*
- International Flavors & Fragrances
- International Game Technology
- Irvine Company
- ITT Corporation
- Jack in the Box
- K. Hovnanian Companies
- KB Home
- Kennametal
- Knowles
- KodakAlaris
- Leprino Foods
- Lifetouch
- LinkedIn
- Magellan Midstream Partners
- Makino*
- Markit*
- Meredith
- MFA Oil Company
- Milacron
- NBTY
- NewPage
- Nortek
- OM Group
- Outerwall
- P.F. Chang's China Bistro
- Pall
- Parsons
- PHH
- Plexus
- Polymer Group
- Purdue Pharma
- Rackspace
- Rayonier
- Recreational Equipment
- Regal-Beloit
- Revlon
- Rowan Companies
- Sage Software*
- Sanderson Farms
- SAS Institute
- Schwan Food Company
- Scripps Networks Interactive
- Sensata Technologies
- ServiceMaster Company
- ShawCor
- Sigma-Aldrich
- Snap-On
- Spirit Airlines
- Steelcase
- SunCoke Energy
- TeleTech Holdings
- Teradata
- Toro
- Tribune
- Tronox
- Tupperware Brands
- UBM*
- Under Armour
- Underwriters Laboratories
- United Launch Alliance
- Vertex Pharmaceuticals
- VistaPrint
- Vulcan Materials
- Wendy's Group
- West Pharmaceutical Services
- Worthington Industries
- XO Communications

**Subsidiary*

The second peer group consists of 18 telecommunications companies. The Company, in consultation with Towers Watson and Mr. Charles Mazza, an independent compensation consultant to the Compensation Committee (See “Role of Compensation Consultants” discussion on pages 52 - 53), annually reviews the list of companies in this group to make certain the group is appropriate and the Compensation Committee, after review, approves the peer group. The peer group used in 2014 differs from the peer group used in the 2013 executive compensation review process in the following respects:

i. AT&T, Verizon, Comcast, and Sprint were deleted from the group.

ii. Atlantic Tele-Network and General Communications were added.

The peer group currently includes:

- Atlantic-Tele-Network, Inc.
- Centurylink, Inc.
- Consolidated Communications Holdings, Inc.
- EarthLink Inc.
- Fairpoint Communications, Inc.
- Frontier Communications Corp.
- General Communications Inc.
- IDT Corp.
- Level 3 Communications Inc.
- SBA Communications Corp.
- Spok Holdings, Inc.
- Telephone & Data Systems Inc.
- Time Warner Inc.
- T-Mobile US, Inc.
- TW Telecom Inc.
- United States Cellular Corp.
- Vonage Holdings Corp.
- Windstream Corp.

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.

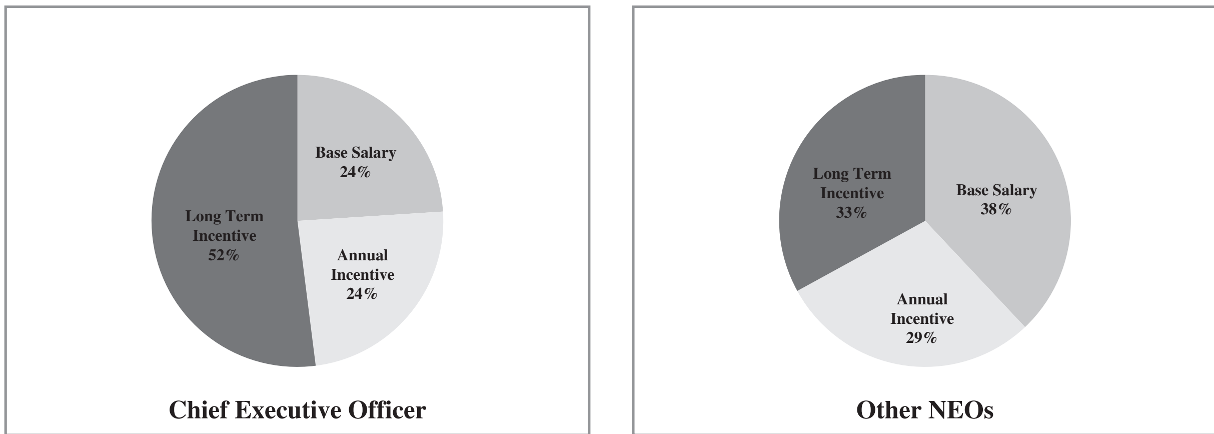
The Compensation Committee considers, as one of many factors, each component of executive officer compensation compared to the revenue size-adjusted market 50th percentile for two reasons:

- 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.

In addition to reviewing market compensation data, trends in executive compensation practices and the Company's performance, the Compensation Committee believes that each NEO's individual performance and current/future potential with the company are also important factors to consider when setting NEO compensation levels.

The Company, in consultation with Towers Watson and Mr. Mazza (See “Role of Compensation Consultants” discussion on pages 52 - 53), compares the compensation of our NEOs to executives holding similar positions at a specific group of peer companies approved by the Compensation Committee (see second peer group above). The Compensation Committee uses these comparisons as a secondary source for benchmarking NEO compensation levels and for monitoring trends. The list of companies in the peer group is reviewed annually to ensure they remain relevant for comparative purposes.

The Compensation Committee 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 2014, the charts below reflect this allocation:



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 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.

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. In May, 2014, the Compensation Committee approved an increase in the stock ownership guidelines for the NEOs as follows:

- Chief Executive Officer — increased from 3 times base salary to 5 times base salary (as adjusted each year)
- Other NEOs — increased from 1.5 times base salary to 2 times base salary (as adjusted each year)

The Compensation Committee established a time line of five years from the date the existing share pool is increased (e.g. the date the shareholders approve the proposed amendment to the 2007 Long Term Incentive Plan) or a new long term incentive plan is approved for the NEOs to reach the new guidelines. To the extent possible, future long-term incentive awards will be made in shares based on share availability to assist the executives in meeting the guidelines. 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.

Using the new stock ownership guidelines, as of March 2, 2015, Mr. Torbeck, owned shares valued at approximately 101% of his ownership target; Mr. Fox has achieved approximately 25% of his ownership goal; Mr. Simpson has achieved 2% of his ownership goal; Mr. Wilson has achieved approximately 160% of his ownership goal; and Mr. Duckworth has achieved approximately 7% 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 65 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 provision.

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 (Theodore H. Torbeck) or principal financial officer (Leigh R. Fox) during the year ended December 31, 2014, the three most highly compensated persons who served as executive officers (Christopher J. Wilson, Joshua T. Duckworth and Thomas E. Simpson) at the end of the year ended December 31, 2014 and an individual (David L. Heimbach) who would have been considered one of the most highly compensated persons but no longer served as an executive officer of as of December 31, 2014 (collectively, the "NEOs").

Summary Compensation Table — Fiscal 2014

Name, Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($) (a)	Option Awards ($) (b)	Non-Equity Incentive Plan Compensation ($) (c)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($) (d)	All Other Compensation ($) (e) (g)	Total ($)
Theodore H. Torbeck (f)	2014	750,000	—	1,650,000	—	928,800	—	10,200	3,339,000
President and Chief Executive	2013	746,954	—	1,150,000	250,000	3,181,790	—	10,000	5,338,744
Officer	2012	726,000	—	1,800,000	—	970,045	—	9,800	3,505,845
David L. Heimbach (g)	2014	320,096	—	500,000	—	124,416	21,196	815,744	1,781,452
Former Chief Operating Officer	2013	342,665	—	300,000	—	730,006	(16,884)	7,644	1,363,431
Leigh R. Fox (h)	2014	350,000	—	350,000	—	497,031	29,072	10,200	1,236,303
Chief Financial Officer	2013	303,846	—	286,500	—	1,056,876	(22,420)	3,566	1,628,368
Thomas E. Simpson (i) Chief Technology Officer	2014	241,778	—	—	—	145,051	26,870	7,139	420,838
Christopher J. Wilson	2014	353,600	—	—	—	252,456	95,689	10,200	711,945
Vice President, General Counsel	2013	353,600	—	200,000	200,000	1,848,275	(68,863)	10,000	2,543,012
and Secretary	2012	345,662	—	200,000	200,000	284,111	103,242	9,800	1,142,815
Joshua T. Duckworth (j)	2014	200,000	—	75,000	—	109,840	—	9,636	394,476
Vice President, Investor Relations and Controller	2013	169,231	—	50,000	—	193,151	—	8,530	420,912

(a) The 2014 amounts reflect the grant-date fair value of the performance share-based awards issued in 2014 to Messrs. Torbeck, Heimbach, Fox and Duckworth for the 2014-2016 performance cycle. 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. Heimbach, Fox, Wilson 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 amount reflects the grant-date fair value of the performance share-based awards issued in 2012 to Mr. Wilson for the 2012-2014 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, 2014. The table below shows the amounts if the maximum payout is earned based on the stock price at date of grant.

Name	Stock Awards ($) 2014	2013	2012
Theodore H. Torbeck (1)	2,475,000	1,275,000	1,800,000
David L. Heimbach	750,000	450,000	—
Leigh R. Fox	525,000	429,750	—
Thomas E. Simpson	—	—	—
Christopher J. Wilson	—	300,000	300,000
Joshua T. Duckworth	112,500	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 amount for Mr. Torbeck represents a restricted common share grant. The 2013 and 2012 restricted common share grants were all made in accordance with Mr. Torbeck's employment agreements and each restricted common share grant vests one-third per year at the end of each one-year period.

(b) The 2013 amounts shown reflect the aggregate grant date fair value of performance-based options granted to Messrs. Torbeck, and Wilson. The 2012 amount shown reflects the aggregate grant date fair value of performance-based stock appreciation rights granted to Mr. Wilson in 2012. 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, 2014. 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:

	Stock Options/Stock Appreciation Rights ($)		
Name	**2014**	**2013**	**2012**
Theodore H. Torbeck	—	375,000(1)	—
Christopher J. Wilson	—	300,000(1)	300,000(2)

(1) Amounts represent performance-based options assuming target is met. Performance will be measure 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.

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

(c) Non-equity incentive plan compensation represents amounts earned for annual performance-based cash incentives, long-term incentive performance plan cash-settled awards and Data Center Performance Plan awards. The Data Center Performance Plan was established in 2010 and was fully paid out in 2013. Messrs. Simpson and Wilson were granted cash-settled long term incentive awards for the 2014-2016 performance period. Actual award payments, if any, will be made in 2017 based on the achievement of company metrics for the 2014-2016 performance period. 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 ($)(2)	Total ($)
Theodore H. Torbeck	2014	928,800	—	—	928,800
	2013	949,950	—	2,231,840	3,181,790
	2012	970,045	—	—	970,045
David L. Heimbach	2014	—	124,146	—	124,146
	2013	404,483	57,702	267,821	730,006
Leigh R. Fox	2014	419,440	77,591	—	497,031
	2013	306,623	36,064	714,189	1,056,876
Thomas E. Simpson	2014	145,051	—	—	145,051
Christopher J. Wilson	2014	252,456	—	—	252,456
	2013	268,132	—	1,580,143	1,848,275
	2012	284,111	—	—	284,111
Joshua T. Duckworth	2014	109,840	—	—	109,840
	2013	86,023	—	107,128	193,151

(1) The amounts shown above for long-term cash-settled performance units earned by Messrs. Heimbach and Fox represent the amounts earned in 2014 and paid in 2015 for the performance period related to cash-payment performance awards granted in (i) January 2012 for the 2012-2014 performance cycle and (ii) January 2013 for the 2013-2014 performance cycle.

(2) The amounts shown above represent the amounts paid in 2013 for the long-term Data Center Performance Plan.

(d) The amounts shown in this column for Messrs. Heimbach , Fox and Wilson represent the one-year increase in the value of their qualified defined benefit plan and nonqualified excess plan for 2014, 2013 and 2012, 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 2, 2012) and then discounted back to the respective year at the discount rate (3.4% for 2014, 4.2% for 2013 and 3.3% for 2012) required under ASC 960. The present value of the accrued pension benefits increased in 2014 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.

(e) For each NEO, 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 $10,200.

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

(g) Mr. Heimbach was appointed Chief Operating Officer on November 20, 2013 and was constructively discharged and resigned from the Company on December 9, 2014. As a result of his constructive discharge, Mr. Heimbach received a payment in the amount of $806,674 on March 6, 2015, which is included in the "All Other Compensation" column.

(h) Mr. Fox was appointed Chief Financial Offer on October 1, 2013.

(i) Mr. Simpson was appointed Chief Technology Officer of Cincinnati Bell Telephone Company, LLC on July 31, 2014. Mr. Simpson was named Chief Technology Officer of the Company on January 27, 2015.

(j) 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, 2014 as well as estimated future payouts under cash incentive plans:

Grants of Plan-Based Awards in 2014 Fiscal Year

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards (a)							
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#) (b)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Closing Price of Company Shares on Grant Date ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)
Theodore H. Torbeck												
Performance-based shares	1/29/2014	—	—	—	231,742	463,483	695,225	—	—	—	—	—
Annual cash incentive		375,000	750,000	1,125,000	—	—	—	—	—	—	—	—
David L. Heimbach (c)												
Performance-based shares		—	—	—	—	—	—	—	—	—	—	—
Annual cash incentive		—	—	—	—	—	—	—	—	—	—	—
Leigh R. Fox												
Performance-based shares	1/29/2014	—	—	—	49,157	98,315	147,472	—	—	—	—	—
Annual cash incentive		175,000	350,000	525,000	—	—	—	—	—	—	—	—
Thomas E. Simpson												
Performance-based awards (d)	1/29/2014	75,000	150,000	225,000	—	—	—	—	—	—	—	—
Annual cash incentive		68,513	137,026	274,052	—	—	—	—	—	—	—	—
Christopher J. Wilson												
Performance-based awards (d)	1/29/2014	160,000	320,000	480,000	—	—	—	—	—	—	—	—
Annual cash incentive		114,920	229,840	344,760	—	—	—	—	—	—	—	—
Joshua T. Duckworth												
Performance-based shares	1/29/2014	—	—	—	10,533	21,067	31,600	—	—	—	—	—
Annual cash incentive		50,000	100,000	150,000	—	—	—	—	—	—	—	—

(a) Amounts reflect shares issuable under the long-term performance-based incentive plan. Performance will be measured based on achievement of the defined targets over the three-year period 2014-2016. See pages 45 - 48 for further details. The amounts related to the performance-based awards granted for the 2014-2016 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 date. 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, 2014

(b) No restricted shares/units or stock options were granted in 2014.

(c) Due to Mr. Heimbach's resignation on December 9, 2014, he forfeited 140,449 performance-based shares granted to him on January 29, 2014. He also forfeited his 2014 annual cash incentive award.

(d) Amounts reflect the cash value of performance units under the long-term performance-based incentive plan. Performance will be measured based on achievement of the defined targets over the three-year period 2014-2016. The amounts related to the performance-based awards granted for the 2014-2016 performance period reflect the grant-date fair value assuming the target number of performance units is earned and the executive remains with the Company through the applicable vesting date. For purposes of this Award, a "unit" is a measure that is used to determine the amount of cash that will be distributed to the executive under this Award and the value is deemed to be equal to 100% of the fair market value of one common share of the Company on the date of the distribution. See pages 47 - 48 for further details.

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

Employment Agreements

During 2014, all of the NEOs were employed pursuant to agreements with the Company. Each employment agreement sets forth, among other things, the NEO's base salary, bonus opportunities, entitlement to participate in the Company's benefit and pension plans and to receive equity awards and post-termination benefits and obligations.

Based on the agreements in place at December 31, 2014 (except for Mr. Heimbach which information reflects the agreement in place on the date of his resignation):

Mr. Torbeck's employment agreement provides for the employment and retention of Mr. Torbeck for a one-year term subject to automatic one-year extensions. Mr. Torbeck's agreement provides for both a minimum base salary of $750,000 and a minimum bonus target of $750,000 per year.

Mr. Heimbach's employment agreement provided for the employment and retention of Mr. Heimbach for a one-year term subject to automatic one-year extensions. Mr. Heimbach's employment agreement provided for both a minimum base salary of $350,000 and a minimum bonus target of $350,000 per year. Mr. Heimbach was constructively discharged and resigned from the company effective December 9, 2014.

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 of $350,000 and a minimum bonus target of $350,000 per year.

Mr. Simpson's employment agreement provides for the employment and retention of Mr. Simpson for a one-year term subject to automatic one-year extensions. Mr. Simpson's employment agreement provides for a minimum base salary of $304,000 and a minimum bonus target of $182,400 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.

Mr. Duckworth's employment agreement provides for the employment and retention of Mr. Duckworth for a one-year term subject to automatic one-year extensions. Mr. Duckworth's employment agreement provides for a minimum base salary of $200,000 and a minimum bonus target of $100,000 per year.

Each of the NEOs, except for Mr. Torbeck and Mr. Duckworth, participate in the Cincinnati Bell Inc. Management Pension Plan (the "Management Pension Plan"), which contains both a qualified defined benefit plan and a nonqualified excess benefit provision (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 benefits for the NEO's are shown on page 63.

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).

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, 2014 are described beginning on page 65.

Long-term Incentives

In 2014, the NEOs long-term incentives were awarded as performance unit grants. The Compensation Committee made the decision to solely use performance units to (i) provide an opportunity for the NEO to be rewarded based on the Company achieving its more objective quantitative operating results that are consistent with its long-term business strategy and (ii) to more closely align such actions with shareholders' interests. The long-term incentives granted to the NEOs are described in the Compensation Discussion and Analysis that begins on page 38.

Salary and Cash Incentive Awards in Proportion to Total Compensation

In 2014, 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 55 was as follows: Mr. Torbeck — 50%, Mr. Heimbach — 25%, Mr. Fox — 69%, Mr. Simpson — 92%, Mr. Wilson — 85% and Mr. Duckworth — 79%.

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, 2014:

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Option (#) Exercisable	Number of Securities Underlying Unexercised Option (#) Unexercisable (a)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (a)	Option Exercise Price ($)	Option Expiration Date (b)	Number of Shares or Units of Stocks That Have Not Vested (#) (c)	Market Value of Shares or Units of Stocks That Have Not Vested ($) (c)	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)
Theodore H. Torbeck	57,724	—	121,360	4.75	1/30/2023				
						298,802	953,178	—	—
						—	—	748,725	2,388,433
David L. Heimbach . . .	2,150	—	—	4.40	3/4/2015				
	1,000	—	—	4.00	12/1/2015				
	3,000	—	—	2.91	12/9/2016				
						—	—	72,610	231,626
Leigh R. Fox . . .	1,500	—	—	2.91	1/29/2020				
						—	—	217,193	692,846
Thomas E. Simpson	—	—	—	—	—				
						—	—	23,861	76,117
Christopher J. Wilson	97,402	—	97,402	3.40	1/27/2022				
	46,179	—	97,088	4.75	1/30/2023				
						—	—	86,918	277,267
Joshua T. Duckworth . . .	1,800	—	—	2.48	8/23/2020				
						—	—	46,506	148,354

(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 and January 3, 2012. The value is based on the closing price of the Company's common shares as of December 31, 2014 ($3.19).

(d) Amounts in the column include performance shares granted for the 2012-2014 performance cycle less shares earned and vested on January 31, 2013 and January 27, 2014, performance shares granted for the 2013-2015 performance cycle less shares earned and vested on January 27, 2014 and performance shares granted for the 2014-2016 performance cycle. 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, 2014 ($3.19).

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, 2014:

Option Exercises and Stock Vested in 2014

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#) (a)	Value Realized on Exercise ($) (b)	Number of Shares Acquired on Vesting (#) (c)	Value Realized on Vesting ($) (d)
Theodore H. Torbeck	—	—	480,917	1,776,610
David L. Heimbach	—	—	80,590	286,900
Leigh R. Fox	—	—	33,163	118,060
Thomas E. Simpson	—	—	11,350	40,406
Christopher J. Wilson	115,423	146,675	89,667	319,215
Joshua T. Duckworth	—	—	7,090	25,240

(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, January 3, 2012 and January 2, 2013 and shares issued on January 29, 2014 upon vesting of long-term performance plan awards. The amounts shown for Messrs. Heimbach, Fox, Simpson, Wilson and Duckworth represent shares issued on January 29, 2014 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 restricted share awards were 53,860 shares on January 2, 2014 ($3.59), 191,083 shares on January 3, 2014 ($3.68), and 210,526 shares on January 4, 2014 ($3.75). For Mr. Torbeck, the vesting date of his 25,448 shares of his long-term performance plan award was January 29, 2014 ($3.56). For Messrs. Heimbach, Fox, Simpson, Wilson and Duckworth, the vesting date of their long-term performance plan awards was January 29, 2014 ($3.56).

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 on pages 59 - 60). Thereafter, the Company amended the Management Pension Plan to stop accruals based upon compensation paid after June 30, 2013 or services after the pay period ended June 29, 2013 for all participants, including grandfathered participants. Messrs. Heimbach, Fox, Simpson, and Wilson are not grandfathered participants and no longer accrue additional benefits under such plan based on current compensation or service. 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.

The following table sets forth information regarding pension benefits:

Name	Plan Name	Number of Years Credited Service (#) (a)	Present Value of Accumulated Benefit ($) (b)(c)	Payments During Last Fiscal Year ($)
David L. Heimbach	Qualified Defined Benefit Plan (d)	7	73,070	—
	Non-Qualified Excess Plan (e)	—	—	—
	Total		73,070	
Leigh R. Fox	Qualified Defined Benefit Plan (d)	9	106,010	—
	Non-Qualified Excess Plan (e)	—	—	—
	Total		106,010	
Thomas E. Simpson	Qualified Defined Benefit Plan (d)	8	92,631	—
	Non-Qualified Excess Plan (e)	—	—	—
	Total		92,631	
Christopher J. Wilson	Qualified Defined Benefit Plan (d)	10	313,132	—
	Non-Qualified Excess Plan (e)	10	126,381	—
	Total		439,513	

(a) This column reflects years of credited service under the plans rather than actual years of service with the Company, which are higher for each of the NEOs noted. Participants were no longer credited years of service upon the freezing of pension benefits.

(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, 2014.

(c) If any of the above-identified executive officers had retired on December 31, 2014, they would have been entitled to a benefit equal to the balance then credited to them, without any reduction, under the 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 Management Pension Plan.

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 2014 was 4.0% per annum.

Nonqualified Deferred Compensation

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

Nonqualified Deferred Compensation for 2014 Fiscal Year

Name	Executive Contributions ($)	Company Contributions ($)	Aggregate Earnings ($) (a)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at December 31, 2014 ($)
Theodore H. Torbeck	—	—	—	—	—
David L. Heimbach	—	—	—	—	—
Leigh R. Fox	—	—	—	—	—
Thomas E. Simpson	—	—	—	—	—
Christopher J. Wilson	106,800	—	(48,100)	—	414,700
Joshua T. Duckworth	—	—	—	—	—

(a) For Mr. Wilson, the amount shown includes the difference between the closing price of the Company's stock ($3.56) on December 31, 2013 and the closing price of the Company's stock ($3.19) on December 31, 2014 with respect to deferrals made prior to 2014.

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 66 2/3% 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, 2014 termination or change in control date and, where applicable, using the closing price of our common shares on December 31, 2014 of $3.19.

On December 9, 2014, Mr. Heimbach was constructively discharged and resigned from his employment with the Company. Mr. Heimbach received a payment of $806,674 on March 6, 2015, which is equal to two times his base salary as of December 9, 2014 plus accrued interest at 3.5% from December 9, 2014 through the date of the payment. Mr. Heimbach, as a result of his constructive discharge, will continue to vest in his unvested stock options, SARS, and other long-term incentive awards through December 9, 2016. Mr. Heimbach continues to be bound by the non-disclosure, non-compete and non-solicitation provisions of his employment agreement. Because Mr. Heimbach was no longer employed as of December 31, 2014, he is not eligible for any additional payments upon termination or change in control as of that date.

Potential Payments upon Termination of Employment or a Change in Control: 2014

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	928,800	928,800
	Long Term Incentives — Performance Based (a)	86,717	1,565,228	1,565,228	1,565,228
	Long Term Incentives — Restricted Shares	953,178	953,178	953,178	953,178
	Basic Benefits (b)	30,724	30,724	—	30,724
	Total	2,570,619	7,034,130	3,447,206	3,447,930
Leigh R. Fox	Base Salary	700,000	875,000	—	—
	Annual Incentive Target Opportunity	—	875,000	419,440	419,440
	Long Term Incentives — Performance Based (a)	142,331	455,956	455,956	455,956
	Basic Benefits (b)	28,331	28,331	—	28,331
	Total	870,662	2,234,287	875,396	903,727
Thomas E. Simpson	Base Salary	304,000	608,000	—	—
	Annual Incentive Target Opportunity	—	364,800	145,051	145,051
	Long Term Incentives — Performance Based (a)	38,678	173,086	173,086	173,086
	Basic Benefits (b)	11,182	11,182	—	23,202
	Total	353,860	1,157,068	318,137	341,339
Christopher J. Wilson	Base Salary	707,200	884,000	—	—
	Annual Incentive Target Opportunity	—	574,600	252,456	252,456
	Long Term Incentives — Performance Based (a)	116,285	403,028	403,028	403,028
	Basic Benefits (b)	28,447	28,447	—	28,447
	Total	851,932	1,890,075	655,484	683,931
Joshua T. Duckworth	Base Salary	400,000	500,000	—	—
	Annual Incentive Target Opportunity	—	250,000	109,840	109,840
	Long Term Incentives — Performance Based (a)	24,161	91,365	91,365	91,365
	Basic Benefits (b)	27,902	27,902	—	27,902
	Total	452,063	869,267	201,205	229,107

(a) Performance based includes shares and cash awards that are based on the attainment of target performance metrics in the 2015 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. In June 2014, the Company changed the benefits under the long-term disability plan to include continuation of benefits for up to 24 months after the date of disability.

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, Fox, Simpson, Wilson and Duckworth 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 2.0 times his base salary for Messrs. Torbeck, Fox, Wilson and Duckworth; and a payment equal to one times base salary for Mr. Simpson;

A payment equal to the present value of an additional two years (one year for Mr. Simpson) 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 (one year for Mr. Simpson) 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 (one year for Mr. Simpson) 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 (one year period for Mr. Simpson).

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 the sum of his base salary and annual bonus target in the case of Messrs. Fox, Wilson and Duckworth, 2.0 times in the case of Mr. Simpson and 2.99 times 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 (one year for Mr. Simpson) 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 (one-year period for Mr. Simpson) 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 (one-year period for Mr. Simpson) following termination; and

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

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 for up to 24 months after the date of disability.

Under all of the termination scenarios in the preceding table, as of December 31, 2014, Messrs. Torbeck, Fox, Simpson, Wilson and Duckworth had certain "vested amounts" to which they were entitled as follows: Mr. Torbeck — $2,594,111, Mr. Fox — $198,248, Mr. Simpson — $54,259, Mr. Wilson — $1,011,928 and Mr. Duckworth — $14,692. Our long-term incentive plan provides for continued vesting of outstanding awards for retirement-eligible employees or employees who were constructively discharged from their employment; thus, Mr. Heimbach, as a result of his constructive discharge, will continue to vest in his unvested stock options, SARs and other long-term incentive awards on the same conditions and terms as an active employee through December 9, 2016.

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, 2014 and ending December 31, 2014, 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 21, 2015. 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 4, 2016 of a proposal from a shareholder who intends to propose any other matter to be acted upon at the 2016 Annual Meeting, the persons named in the Company's proxy for the 2016 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 21, 2015 for the 2016 Annual Meeting of Shareholders.

Other Matters to Come Before the Meeting

At the time this Proxy Statement was released to the shareholders on March 20, 2015, 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 20, 2015

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 19, 2015 and February 20, 2014. This information is also available in the "Investor Relations" section of the Company's website, www.cincinnatibell.com.

	Twelve Months Ended December 31,	
(dollars in millions)	**2014**	**2013**
Net Income (Loss) (GAAP)	$ 75.6	$ (54.7)
Add:		
Income tax expense (benefit)	57.4	(2.5)
Interest expense	148.7	182.0
Loss on extinguishment of debt	19.6	29.6
Loss from CyrusOne equity method investment	7.0	10.7
Gain on sale of CyrusOne equity method investment	(192.8)	—
Other expense (income), net	0.3	(1.3)
Operating Income (GAAP)	$ 115.8	$163.8
Add:		
Depreciation and amortization	231.0	169.6
Transaction-related compensation	—	42.6
Restructuring charges	15.9	13.7
(Gain) loss on sale or disposal of assets	(0.3)	2.4
Transaction costs	4.4	1.6
Amortization of deferred gain	(22.9)	—
Employee contract termination costs	2.0	—
Asset impairments	12.1	—
Curtailment gain	—	(0.6)
Spectrum lease (non-cash)	3.2	—
Pension and other retirement plan expenses	18.0	22.5
Adjusted EBITDA (Non-GAAP)	$ 379.2	$415.6
Less: CyrusOne Adjusted EBITDA (Non-GAAP)	—	8.4
Less: Wireless Segment Adjusted EBITDA (Non-GAAP)*	44.4	—
Adjusted EBITDA, excluding Wireless Segment and CyrusOne (Non-GAAP)	$ 334.8	$407.2

* Beginning in the third quarter of 2014, we updated our financial guidance to exclude our Wireless Segment results in conjunction with the close of the agreement to sell wireless spectrum licenses.

(dollars in millions)	Twelve Months Ended December 31, 2014	2013
Reconciliation of Operating Cash Flow (GAAP) to Adjusted Unlevered Operating Cash Flows (Non-GAAP):		
Operating cash flow (GAAP)	$ 175.2	$ 78.8
Interest payments	153.1	179.5
Unlevered operating cash flows (Non-GAAP)	328.3	258.3
Add:		
CyrusOne operating cash flows	—	(4.0)
Transaction related compensation to CyrusOne employees	—	20.0
Transaction costs	4.4	1.6
Adjusted unlevered operating cash flows (Non-GAAP)	$ 332.7	$ 275.9

(dollars in millions)	Twelve Months Ended December 31, 2014	2013
Reconciliation of GAAP Cash Flow to Free Cash Flow (as defined by the Company)		
Net increase (decrease) in cash and cash equivalents	$ 53.3	$ (19.0)
Less adjustments:		
Proceeds from issuance of long-term debt	—	(536.0)
(Decrease) increase in corporate credit and receivables facilities, net	127.0	(94.2)
Cash divested from deconsolidation of CyrusOne	—	12.2
Repayment of debt	376.5	530.8
Debt issuance costs	0.9	6.7
Transaction-related compensation	—	42.6
Proceeds from sale of CyrusOne equity method investment	(355.9)	—
Proceeds from sale of Wireless spectrum licenses	(194.4)	—
Transaction costs	4.4	1.6
Free cash flow (as defined by the Company)	$ 11.8	$ (55.3)
Less: CyrusOne's free cash flows	$ —	$ (3.3)
Free cash flow excluding CyrusOne	$ 11.8	$ (52.0)

(dollars in millions)	Twelve Months Ended December 31, 2014	2013
Reconciliation of GAAP Revenue to Revenue excluding CyrusOne and Wireless Segment (Non-GAAP)		
Revenue (GAAP)	$1,278.2	$1,256.9
Adjustments:		
CyrusOne revenue (net of intercompany)	—	(15.2)
Wireless segment revenue (net of intercompany)	(131.1)	—
Revenue excluding CyrusOne and Wireless Segment (Non-GAAP)	$1,147.1	$1,241.7

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]

Appendix I

CINCINNATI BELL INC.
2007 LONG TERM INCENTIVE PLAN

(As adopted and originally effective as of May 3, 2007)
(As amended and effective on May 1, 2009, as further amended and effective January 29, 2014, and as further amended and effective upon shareholder approval on April 30, 2015)

1. Introduction to Plan.

1.1 Name and Sponsor of Plan. The name of this Plan is the Cincinnati Bell Inc. 2007 Long Term Incentive Plan, and its sponsor is CBI.

1.2 Purposes of Plan. The purposes of this Plan are (i) to further the long term growth of the Company by offering competitive incentive compensation related to long term performance goals to those Employees of the Company who will be responsible for planning and directing such growth, (ii) to reinforce a commonality of interest between CBI's shareholders and the Company's Employees who participate in the Plan, and (iii) to aid the Company in attracting and retaining Employees of outstanding abilities and specialized skills.

1.3 Effective Date and Duration of Plan.

(a) The Plan is effective as of the Effective Date (May 3, 2007), upon the Plan's initial approval by a majority of the voting shares present or represented and entitled to vote on the Plan at the 2007 annual meeting of CBI's shareholders. The Plan is effective as of the Effective Date (May 3, 2007) upon the Plan's initial approval by a majority of the voting shares present or represented and entitled to vote on the Plan at the 2007 annual meeting of CBI's shareholders. The Plan was amended effective as of the dates written above. The Plan, as further amended, is subject to the approval by a majority of the voting shares present and represented and entitled to vote on the Plan at the ~~2009~~ 2015 annual meeting of CBI's shareholders.

(b) The Plan shall remain in effect thereafter until the earliest of (i) the date on which the Plan is terminated in accordance with section 18 hereof, (ii) the date on which the maximum number of Common Shares which may be issued or paid under or with respect to all of the awards granted under the Plan during the Plan's entire existence (as determined under the other provisions of the Plan) have been issued or paid, or (iii) May 2, 2017. Upon the termination of the Plan, no awards may be granted under the Plan after the date of such termination but any award granted under the Plan on or prior to the date of such termination shall remain outstanding in accordance with the terms of the Plan and the terms of the award.

2. General Definitions. For all purposes of the Plan, the following terms shall have the meanings indicated below when used in the Plan, unless the context clearly indicates otherwise.

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

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

2.3 "Change in Control" means, effective as of January 29, 2014 and with respect to any awards granted under the Plan on or after January 29, 2014, a Change in Control as defined under the Cincinnati Bell Inc. Executive Deferred Compensation Plan (as such plan is effective as of January 29, 2014 and may thereafter be amended).

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

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

2.6 “Common Shares” means common shares, par value $0.01 per share, of CBI.

2.7 “Company” means, collectively, (i) CBI, (ii) each other corporation that is part of a controlled group of corporations (within the meaning of Section 1563(a) of the Code, but determined without regard to Code Section 1563(a)(4) and (e)(3)(C)) that includes CBI, and (iii) each other organization (a partnership, sole proprietorship, etc.) that is under common control (within the meaning of Section 414(b) of the Code) with CBI.

2.8 “Effective Date” means May 3, 2007.

2.9 “Employee” means any person who: (i) is employed and classified as an employee by the Company; and (ii) is not represented by a recognized collective bargaining unit (unless such person’s eligibility to participate in the Plan is approved under a collective bargaining agreement between the Employer and the authorized representatives of such collective bargaining unit).

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

2.11 “ISO” means a stock option that qualifies as an incentive stock option within the meaning of Section 422 of the Code.

2.12 “Nonshare-Based Award” means any award granted under the Plan that by its terms provides for compensation (upon, if applicable, its exercise or the meeting of certain performance goals or other criteria or conditions) based on a dollar amount, regardless of whether the award’s compensation may be payable in cash, Common Shares or other property, or a combination thereof. The nonshare-based performance unit form of award provided under the Plan, but no other form of award that is listed in section 5 hereof, constitutes a Nonshare-Based Award.

2.13 “Participant” means any Employee who is granted an award under the Plan.

2.14 “Plan” means this document, named the “Cincinnati Bell Inc. 2007 Long Term Incentive Plan,” as set forth herein and as it may be amended.

2.15 “Regulation 1.83-3(i)” means Treasury Regulation Section 1.83-3(i) issued by the Department of the Treasury under Section 83 of the Code, as such regulation exists as of the Effective Date and as it is subsequently amended, renumbered, or superseded.

2.16 “Regulation 1.409A-3” means Proposed Treasury Regulation Section 1.409A-3 issued by the Department of the Treasury under Section 409A of the Code, as such proposed regulation exists as of the Effective Date and as it is subsequently finalized, amended, renumbered, or superseded. A reference to a specific paragraph of Regulation 1.409A-3 shall be deemed to be a reference to the provisions of such paragraph as it exists as of the Effective Date and as it is subsequently finalized, amended, renumbered, or superseded.

2.17 “Rule 16b-3” means Rule 16b-3 issued by the Securities and Exchange Commission under Section 16 of the Exchange Act, as such rule exists as of the Effective Date and as it is subsequently amended, renumbered, or superseded.

2.18 “Share-Based Award” means any award granted under the Plan that by its terms provides for issuance or payments (upon, if applicable, its exercise or the meeting of certain performance goals or other criteria or conditions) of fixed numbers of Common Shares or of amounts determined with reference to the fair market value (or the change in fair market value over a period of time) of fixed numbers of Common Shares. Each form of award that is listed in section 5 hereof, except for a nonshare-based performance unit form of award, constitutes a Share-Based Award.

3. Administration of Plan.

3.1 Committee To Administer Plan. The Plan shall be administered by the Committee. The Committee shall be the Compensation Committee of the Board, unless and until the Board appoints a different

committee to administer the Plan. The Committee shall in any event consist of at least three members of the Board (i) who are neither officers nor employees of the Company, (ii) who are non-employee directors within the meaning of Rule 16b-3, and (iii) who are outside directors within the meaning of Section 162(m)(4)(C) of the Code.

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

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

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

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

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

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

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

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

3.3 Flexibility in Granting Awards. Notwithstanding any other provision of the Plan which may be read to the contrary, the Committee may set different terms and conditions applicable to each and any award granted under the Plan, even for awards of the same type and even when issued to the same Participant. In addition, and also notwithstanding any other provision of the Plan which may be read to the contrary, the Committee may grant to any Participant for any period any specific type of award available under the Plan without being required to grant to the Participant for such period any other type of award that may be available under the Plan.

3.4 Delegation of Committee's Authority for Certain Awards.

(a) The Committee may delegate to CBI's Chief Executive Officer its right to make awards to Employees who (i) are not otherwise considered by the Committee to be subject to the requirements of Section 16 of the Exchange Act and (ii) are not expected by the Committee to become covered employees within the meaning of Section 162(m)(3) of the Code.

(b) To the extent the Committee's right to make awards to any Employees is delegated to CBI's Chief Executive Officer under the provisions of paragraph (a) of this subsection 3.4, any reference to the Committee in the other provisions of the Plan that concern the making of awards to such Employees, the terms of such awards, and the verification that all conditions applicable to the payment under or the exercise of such awards have been met shall be read to refer to CBI's Chief Executive Officer as if such person was the Committee.

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

5. Awards and Their Forms.

(a) Awards under the Plan may be granted at any time while the Plan is in effect by the Committee to any Employee or Employees.

(b) Any awards granted under the Plan may be made in any one or more of the following forms, each of which shall be deemed to a separate and distinct form of award for all purposes of this Plan: (i) stock options,

(ii) stock appreciation rights, (iii) restricted stock, (iv) performance shares; (v) share-based performance units, (vi) nonshare-based performance units, and (vii) non-restricted stock. Nonshare-based performance units constitute the only form of award under the Plan that is a Nonshare-Based Award, and each of the other award forms identified in the immediately preceding sentence constitutes a Share-Based Award form. The subsequent provisions of the Plan provide certain rules and conditions that apply to each of such award forms.

(c) Any Common Shares that are to be issued or paid under any award granted under the Plan may consist, in whole or in part, of Common Shares that are authorized but unissued or Common Shares that are treasury shares.

6. Limits on Shares Subject To and Compensation Payable Under Plan Awards.

6.1 Limits on Number of Common Shares Available for Issuance Under Plan.

(a) Subject to the following provisions of this subsection 6.1 and the provisions of subsections 6.3 and 16.1 hereof, the following limits set forth in subparagraphs (1) through (4) of this subsection 6.1 (which generally involve the maximum number of Common Shares that may be issued or paid under the Plan and its various types of awards during the Plan's entire existence) shall apply to the grant of awards under the Plan. No award may be granted under the Plan to the extent it would cause any of the following limits to be violated.

(1) The maximum number of Common Shares which may be issued or paid under or with respect to all of the awards (considered in the aggregate) granted under the Plan during the Plan's entire existence shall be equal to ~~18,000,000~~ 24,000,000 Common Shares.

(2) The maximum number of Common Shares which may be issued or paid under or with respect to all stock options and stock appreciation rights (considered in the aggregate but separately from all other forms of awards listed in section 5 hereof) granted under the Plan during the Plan's entire existence shall be equal to ~~18,000,000~~ 24,000,000 Common Shares.

(3) The maximum number of Common Shares which may be issued or paid under or with respect to all ISOs (considered in the aggregate but separately from all other types of stock options and other forms of awards listed in section 5 hereof) granted under the Plan during the Plan's entire existence shall be equal to 2,000,000 Common Shares.

(4) The maximum number of Common Shares which may be issued or paid under or with respect to all restricted stock, performance shares, share-based performance units, nonshare-based performance units, and non-restricted stock (considered in the aggregate but separately from all other forms of awards listed in section 5 hereof) granted under the Plan during the Plan's entire existence shall be equal to ~~7,400,000~~ 13,400,000 Common Shares.

(b) If any portion of a stock appreciation right is settled (paid) upon the exercise of such stock appreciation right portion by the issuance or payment of Common Shares, the total number of Common Shares on which such stock appreciation right portion was based shall be counted as Common Shares issued or paid under the Plan for purposes of any of the limits set forth in paragraph (a) of this subsection 6.1, regardless of the number of Common Shares actually issued or paid to settle such stock appreciation right portion upon its exercise.

(c) If any award or portion thereof granted under the Plan is forfeited, expires, or in any other manner terminates without the payment of Common Shares or any other amount or consideration, the maximum number of Common Shares on which such award or portion of an award was based or which could have been paid under the award (i) shall again be available to be issued or paid under the Plan and to be the basis on which other awards may be granted under the Plan and (ii) thus shall not be counted as Common Shares that were issued or paid under the Plan in determining whether any of the limits set forth in paragraph (a) of this subsection 6.1 are met.

(d) Any Common Shares that would be issued or paid under an award granted under the Plan but are withheld in payment of any exercise price, purchase price, or tax withholding requirements (in accordance with the provisions of section 17 hereof) shall not again be deemed to be available to be issued or paid under the Plan or to be the basis on which other awards may be granted under the Plan and (ii) thus shall be counted as

Common Shares that were issued or paid under the Plan in determining whether any of the limits set forth in paragraph (a) of this subsection 6.1 are met.

6.2 Annual Common Share and Other Compensation Limits Under Awards Granted Any Participant.

(a) Subject to the following provisions of this subsection 6.2 and the provisions of subsections 6.3 and 16.1 hereof, the following limits set forth in subparagraphs (1) and (2) of this subsection 6.2 (which generally involve the maximum number of Common Shares and other compensation on which awards granted to any Participant during a calendar year may be based) shall apply to the grant of awards under the Plan. No award may be granted under the Plan to the extent it would cause any of the following limits to be violated.

(1) The maximum number of Common Shares on which all Share-Based Awards (considered in the aggregate) granted under the Plan to any Participant during each and any calendar year may be based, and the maximum number of Common Shares on which all Share-Based Awards of a specific form listed in section 5 hereof (considered separately from all other forms of Stock-Based Awards listed in section 5 hereof) granted under the Plan to any Participant during each and any calendar year may be based, shall be 2,000,000 Common Shares.

(2) The maximum dollar value of all Nonshare-Based Awards granted under the Plan to any Participant during each and any calendar year shall be $5,000,000.

(b) For purposes of applying the Share-Based Award limits set forth in paragraph (a)(1) of this subsection 6.2 and for all other purposes of the Plan, the maximum number of Common Shares on which any Share-Based Award granted to a Participant under the Plan or any portion thereof shall be deemed to be based shall be the maximum number of Common Shares that ultimately could, in the event any and all performance goals and other criteria or conditions applicable to the award are met, either be issued or paid under the award or have their fair market value (or the change in their fair market value over a period of time) used to determine the amounts payable under the award, regardless of (i) whether or not the actual payment under such award ends up being based on a lesser number of Common Shares or equal to a percentage above or below 100% of the fair market value (or the change in the fair market value over a period of time) of such maximum number of Common Shares, (ii) whether or not any payment made under such award or portion thereof is made in cash or property other than Common Shares, or (iii) whether or not the award or portion thereof is forfeited, expires, or in any other manner terminates without the payment of Common Shares or other compensation.

(c) For purposes of applying the Nonshare-Based Award limits set forth in paragraph (b)(2) of this subsection 6.2 and for all other purposes of the Plan, the maximum dollar value of any Nonshare-Based Award granted to a Participant under the Plan or any portion thereof shall be deemed to be the maximum dollar amount of cash (and/or fair market value, determined at the time of payment, of Common Shares or other property) that ultimately could, in the event any and all performance goals and other criteria or conditions applicable to the award are met, be paid to the Participant under the award, regardless of (i) whether or not the actual payment under such award ends up being a lesser dollar amount of cash (and/or fair market value, determined at the time of payment, of Common Shares or other property) or (ii) whether or not the award or portion thereof is forfeited, expires, or in any other manner terminates without the payment of any compensation.

6.3 Effect of Assumption of Awards in Acquisition. If any corporation is acquired by the Company and the Company assumes certain stock-based awards previously granted by such acquired corporation or issues new awards in substitution for such previously-granted awards of the acquired corporation, then, except to the extent expressly provided by action of the Board, the awards so assumed or issued by the Company shall not be deemed to be granted under the Plan and any Common Shares that are the basis of such assumed or substituted awards shall not affect the number of Common Shares that can be issued or paid under the Plan or the number of Common Shares on which Share-Based Awards granted under the Plan can be based.

7. Stock Option Awards. Any awards granted under the Plan in the form of stock options shall be subject to the following terms and conditions of this section 7.

7.1 Nature of Stock Option. A stock option means an option to purchase any number of Common Shares, up to a fixed maximum number of Common Shares, in the future at a fixed price (for purposes of this

section 7, the "Exercise Price") that applies to the Common Shares to which the purchase relates. Stock options granted under the Plan to any Participant may be ISOs, stock options that are not ISOs, or both ISOs and stock options that are not ISOs.

7.2 Terms and Conditions of Stock Option To Be Determined by Committee. Subject to the other provisions of this section 7 and the other sections of the Plan, the terms and conditions of any stock option granted under the Plan shall be determined by the Committee. The grant of a stock option shall be evidenced by a written agreement signed by the Committee or a representative thereof, which agreement shall contain the terms and conditions of the stock option (as set by the Committee). Any such written agreement shall indicate whether or not the applicable stock option is intended to be an ISO (or, if it does not so indicate, the stock option reflected by such written agreement shall be deemed to be a stock option that is not an ISO).

7.3 Exercise Price of Stock Option. Unless otherwise prescribed by the Committee to be higher, the Exercise Price with respect to any number of Common Shares that are subject to a stock option granted under the Plan shall be 100% (and may not in any event be less than 100%) of the fair market value of such number of Common Shares (disregarding lapse restrictions as defined in Regulation 1.83-3(i)) on the date the stock option is granted.

7.4 Expiration of Option. Unless otherwise prescribed by the Committee, any stock option granted under the Plan shall be exercisable in whole or in part after but not before the expiration of one year after the date on which it is granted. Further, a stock option granted under the Plan shall not in any event be exercisable after the expiration of ten years after the date on which it is granted (or after any earlier expiration date that is otherwise prescribed for the stock option by the Committee).

7.5 Procedures for Exercise of Option.

(a) With respect to each exercise of a stock option granted under the Plan, written notice of the exercise must be given and the purchase price for the Common Shares being purchased upon the exercise and any taxes required to be withheld upon the exercise must be paid in full at the time of the exercise. The procedures for meeting such requirements shall be established under the provisions of section 17 hereof.

(b) As soon as administratively practical after the receipt of the written notice and full payment applicable to the exercise of any stock option granted under the Plan in accordance with the procedures established under the provisions of section 17 hereof, CBI shall deliver to the applicable Participant (or such other person who is exercising the stock option) a certificate or certificates representing the acquired Common Shares.

7.6 Special Limit on Value of ISOs. If the aggregate fair market value of all Common Shares with respect to which stock options that are intended to be ISOs and that are exercisable for the first time by any Participant during any calendar year (under the Plan and all other plans of the Company) exceeds $100,000 (or, if such limit amount is amended under Section 422 of the Code, such amended limit amount), such stock options (to the extent of such excess) shall be treated as if they were not ISOs. The rule set forth in the immediately preceding sentence shall be applied by taking stock options into account in the order in which they were granted. Also, for purposes of the rules of this subsection 7.6, the fair market value of any Common Shares which are subject to a stock option shall be determined as of the date the option is granted.

7.7 Ineligibility of Certain Employees for ISOs. Notwithstanding any other provision of the Plan to the contrary, no person shall be eligible for or granted a stock option under the Plan that is intended to be an ISO if, at the time the stock option is otherwise to be granted, the person owns more than 10% of the total combined voting power of all classes of stock of the Company. For purposes hereof, a person shall be considered as owning the stock owned, directly or indirectly, by or for his or her brothers or sisters (whether by the whole or half blood), spouse, ancestors, and lineal descendants, and stock owned, directly or indirectly, by or for a corporation, partnership, estate, or trust shall be considered as being owned proportionately by or for its shareholders, partners, or beneficiaries.

8. Stock Appreciation Right Awards. Any awards granted under the Plan in the form of stock appreciation rights (for purposes of this section 8, "SARs") shall be subject to the following terms and conditions of this section 8.

8.1 **Nature of SAR.** A SAR means the right, upon any exercise of the SAR, to receive payment of a sum not to exceed the amount, if any, by which the fair market value (determined as of the date on which the SAR is exercised and disregarding lapse restrictions as defined in Regulation 1.83-3(i)) of a number of Common Shares, up to a fixed maximum number of Common Shares, exceeds a fixed price (for purposes of this section 8, the "Exercise Price") of the Common Shares to which the exercise relates. A SAR may be granted free-standing, in relation to a new stock option being granted at the same time as the SAR is granted, or in relation to a stock option both which is not an ISO and which has been granted prior to the grant of the SAR.

8.2 **Terms and Conditions of SAR To Be Determined by Committee.** Subject to the other provisions of this section 8 and the other sections of the Plan, all of the terms and conditions of a SAR shall be determined by the Committee. A SAR granted under the Plan shall be evidenced by a written agreement signed by the Committee or a representative thereof, which agreement shall contain the terms and conditions of the SAR (as set by the Committee).

8.3 **Exercise Price of SAR.** Unless otherwise prescribed by the Committee to be higher, the Exercise Price with respect to any number of Common Shares that are subject to a SAR granted under the Plan shall be 100% (and may not in any event be less than 100%) of the fair market value of such number of Common Shares (disregarding lapse restrictions as defined in Regulation 1.83-3(i)) on the date the SAR is granted.

8.4 **Expiration of SAR.** Unless otherwise prescribed by the Committee, any SAR granted under the Plan shall be exercisable in whole or in part after but not before the expiration of one year after the date on which it is granted. Further, a SAR granted under the Plan shall not in any event be exercisable after the expiration of ten years after the date on which it is granted (or after any earlier expiration date that is otherwise prescribed for the SAR by the Committee).

8.5 **Coordination of SAR and Option.** Unless otherwise determined by the Committee, any stock option as to which a SAR is related shall no longer be exercisable to the extent the SAR has been exercised and the exercise of a stock option shall cancel any related SAR to the extent of such exercise.

8.6 **Procedures for Exercise of SAR.**

(a) With respect to each exercise of a SAR granted under the Plan, written notice of the exercise must be given and any taxes required to be withheld upon the exercise must be paid in full at the time of the exercise. The procedures for meeting such requirements shall be established under the provisions of section 17 hereof.

(b) As soon as administratively practical after the receipt of the written notice and full payment of taxes applicable to the exercise of any SAR granted under the Plan in accordance with the procedures established under the provisions of section 17 hereof, CBI shall pay the amount to which the applicable Participant (or such other person who is exercising the SAR) is entitled upon the exercise of the SAR in cash, Common Shares or other property, or a combination thereof, as the Committee shall determine and provide in the terms of the award. To the extent that payment is made in Common Shares or other property, the Common Shares or other property shall be valued at its fair market value on the date of exercise of the SAR.

9. **Restricted Stock Awards.** Any awards granted under the Plan in the form of restricted stock shall be subject to the following terms and conditions of this section 9.

9.1 **Nature of Restricted Stock.**

(a) Effective January 29, 2014 and with respect to any awards granted under the Plan on or after January 29, 2014, restricted stock shall constitute Common Shares that will be subject to forfeiture and may not be disposed of by the Participant to whom the restricted stock is granted until certain restrictions established by the Committee lapse. Unless and except to the extent not required under subsection 19.1 hereof, such restrictions shall include but not necessarily be limited to restrictions that provide that the Participant must either be an employee of the Company for a specified continuous period of time of at least three years (or of at least one year if the restricted stock is subject to the meeting of certain performance goals) or terminate employment with the Company in special circumstances (such as the Participant's retirement, disability, or death). In addition, the Committee may (but is not required to) provide in the terms of the applicable restricted stock award restrictions related to the meeting of certain performance goals in all or just certain cases (such as in all cases other than

when the Participant's employment with the Company ends because of his or her death or disability). Any restrictions that are imposed under a restricted stock award shall also similarly restrict the ability of the applicable Participant to dispose of other rights issued with respect to such restricted stock.

(b) Any restricted stock award granted under the Plan may provide that the satisfaction of certain but not all (or a certain level but not the highest level) of any of the required employment period restrictions, performance goal restrictions, and/or other restrictions applicable to such restricted stock will permit the lapse of the applicable restrictions that restrict the right to dispose of such restricted stock as to a percentage (that is reasonably related to the percentage of all or the highest level of the applicable restrictions imposed under the entire restricted stock award that have been satisfied), but not the maximum number, of the Common Shares reflected by such restricted stock.

9.2 Terms and Conditions of Restricted Stock To Be Determined by Committee. Subject to the other provisions of this section 9 and the other sections of the Plan, all of the restrictions and other terms and conditions that apply to any restricted stock awarded under the Plan shall be determined by the Committee. The grant of any restricted stock under the Plan shall be evidenced by a written agreement signed by the Committee or a representative thereof, which agreement shall contain the restrictions and other terms and conditions of the restricted stock (as set by the Committee) and shall be referenced on the certificates representing the Common Shares that constitute such restricted stock.

9.3 Procedures for Payment of Taxes Upon Vesting of Restricted Stock. Any taxes required to be withheld upon the lapse of any restrictions applicable to any restricted stock granted under the Plan (and, if applicable, any minimum purchase price for the restricted stock that may be required by applicable law) must be paid in full at the time such restrictions lapse. The procedures for meeting such requirements shall be established under the provisions of section 17 hereof.

9.4 Right of Participant Under Restricted Stock. Any Participant who has been granted restricted stock under the Plan shall have, during the period in which restrictions on his or her ability to dispose of such stock apply, all of the rights of a shareholder of CBI with respect to the Common Shares awarded as restricted stock (other than the right to dispose of such shares), including the right to vote the shares and the right to receive any cash or stock dividends, unless the Committee shall otherwise provide in the terms of the applicable restricted stock award and except as may otherwise be provided in subsection 9.5 hereof.

9.5 Restrictions for Additional Common Shares Issued under Stock Split or Dividend. Any Common Shares issued with respect to restricted stock as a result of a stock split, stock dividend, or similar transaction shall be restricted to the same extent as the applicable restricted stock, unless otherwise provided by the Committee in the terms of the applicable restricted stock award.

9.6 Forfeiture of Restricted Stock. If any restrictions or conditions on a Participant's ability to dispose of any restricted stock granted to him or her are not satisfied in accordance with the terms of such restricted stock, such restricted stock shall be forfeited (subject to such exceptions, if any, as are authorized by the Committee). For instance, if a Participant to whom restricted stock has been granted under the Plan terminates his or her employment with the Company during the period in which restrictions on his or her ability to dispose of such stock apply (and prior to the satisfaction of the requirements applicable to such restrictions), such restricted stock shall be forfeited (subject to such exceptions, if any, as are authorized by the Committee as to a termination of employment that reflects a retirement, disability, death, or other special circumstances).

10. Performance Share and Unit Awards. Any awards granted under the Plan in the form of performance shares, share-based performance units, and/or nonshare-based performance units (collectively and for purposes of this section 10, "Performance Awards") shall be subject to the following terms and conditions of this section 10.

10.1 Nature of Performance Award.

(a) Effective January 29, 2014 and with respect to any awards granted under the Plan on or after January 29, 2014, any performance share that is granted to a Participant constitutes a right that the Participant will receive a number of Common Shares, up to a fixed maximum number of Common Shares, if and when certain conditions are met. Such conditions shall include but not necessarily be limited to: (i) unless and except to the extent not required under subsection 19.1 hereof, conditions that require that the Participant must either be an

employee of the Company for a specified continuous period of time of at least one year or terminate employment with the Company in special circumstances (such as the Participant's retirement, disability, or death); and (ii) conditions related to the meeting of certain performance goals (except that the Committee may provide in the terms of the applicable performance share award that the performance goal conditions otherwise imposed under the award are waived in whole or in part when the Participant's employment with the Company ends because of his or her death or disability).

(b) Effective January 29, 2014 and with respect to any awards granted under the Plan on or after January 29, 2014, any share-based performance unit that is granted to a Participant constitutes a right that the Participant will receive an amount that is equal to a percent, not more than 200%, of the fair market value of a number of Common Shares, up to a fixed maximum number of Common Shares, on the date such amount becomes payable under the terms of the unit (or is equal to a percent, not more than 200%, of the increase in the fair market value of a number of Common Shares, up to a fixed maximum number of Common Shares, from the date of the grant of the unit to the date such amount becomes payable under the terms of the unit) if and when certain conditions are met. Such conditions shall include but not necessarily be limited to: (i) unless and except to the extent not required under subsection 19.1 hereof, conditions that require that the Participant must either be an employee of the Company for a specified continuous period of time of at least one year or terminate employment with the Company in special circumstances (such as the Participant's retirement, disability, or death); and (ii) conditions related to the meeting of certain performance goals (except that the Committee may provide in the terms of the applicable share-based performance unit award that the performance goal conditions otherwise imposed under the award are waived in whole or in part when the Participant's employment with the Company ends because of his or her death or disability).

(c) Effective January 29, 2014 and with respect to any awards granted under the Plan on or after January 29, 2014, any nonshare-based performance unit that is granted to a Participant constitutes a right that the Participant will receive an amount that is equal to a dollar value, not more than a maximum dollar value, if and when certain conditions are met. Such conditions shall include but not necessarily be limited to: (i) unless and except to the extent not required under subsection 19.1 hereof, conditions that require that the Participant must either be an employee of the Company for a specified continuous period of time of at least one year or terminate employment with the Company in special circumstances (such as the Participant's retirement, disability, or death); and (ii) conditions related to the meeting of certain performance goals (except that the Committee may provide in the terms of the applicable nonshare-based performance unit award that the performance goal conditions otherwise imposed under the award are waived in whole or in part when the Participant's employment with the Company ends because of his or her death or disability).

(d) Effective January 29, 2014 and with respect to any awards granted under the Plan on or after January 29, 2014, any performance share, share-based performance unit, and/or nonshare-based performance unit award may provide that the satisfaction of certain but not all (or a certain level but not the highest level) of any of the required employment period conditions, performance goal conditions, and/or other conditions applicable to such award will permit the Participant to receive a percentage (that is reasonably related to the percentage of all or the highest level of the applicable conditions imposed under the entire award that have been satisfied), but not the maximum amount, of the Common Shares or the dollar-denominated amounts that would be payable under such award if all (or the highest level) of the conditions applicable to such award had been met.

10.2 Terms and Conditions of Performance Award To Be Determined by Committee. Subject to the other provisions of this section 10 and the other sections of the Plan, all of the restrictions and other terms and conditions that apply to any Performance Award issued under the Plan shall be determined by the Committee. The grant of any Performance Award under the Plan shall be evidenced by a written agreement signed by the Committee or a representative thereof, which agreement shall contain the restrictions and other terms and conditions of the Performance Award (as set by the Committee).

10.3 Procedures for Payment of Performance Award and of Applicable Taxes.

(a) Any taxes required to be withheld upon a Participant becoming entitled to the payment of any Performance Award granted under the Plan (by reason of any of the award's performance goals and/or other conditions being met) must be paid in full at the time such performance goals and/or other conditions are met. The procedures for meeting such requirements shall be established under the provisions of section 17 hereof.

(b) As soon as administratively practical after the full payment of taxes applicable to the Performance Award granted under the Plan in accordance with the procedures established under the provisions of section 17 hereof, CBI shall pay the amount to which the applicable Participant (or such other person who is entitled to the benefits of the award) is entitled upon the meeting of such performance goals and/or other conditions and as the Committee shall provide in the terms of the award: (i) in a lump sum or in installments; (ii) to the extent a share-based performance unit or a nonshare-based performance unit is involved, in cash, Common Shares or other property, or a combination thereof; and (iii) to the extent a performance share is involved, in Common Shares. To the extent that payment is made in Common Shares or other property, the Common Shares or other property shall be valued at its fair market value on the date as of which the payment is made.

11. Non-Restricted Stock Awards. Any awards granted under the Plan in the form of non-restricted stock shall be subject to the following terms and conditions of this section 11.

11.1 Nature of Non-Restricted Stock and Condition of Grant. Non-restricted stock shall constitute Common Shares that may, upon grant, be immediately disposed of by the Participant to whom the non-restricted stock is granted (without any special restrictions and conditions). However, notwithstanding any other provision of the Plan, non-restricted stock may be awarded under the Plan only if and to the extent permitted under subsection 19.1 hereof.

11.2 Terms and Conditions of Non-Restricted Stock To Be Determined by Committee. Subject to the other provisions of this section 11 and the other sections of the Plan, all of the terms and conditions that apply to any non-restricted stock awarded under the Plan shall be determined by the Committee. The grant of any non-restricted stock under the Plan shall be evidenced by a written agreement signed by the Committee or a representative thereof, which agreement shall contain the terms and conditions of the non-restricted stock award (as set by the Committee).

11.3 Procedures for Payment of Taxes Upon Grant of Non-Restricted Stock. Any taxes required to be withheld upon the grant of any non-restricted stock award under the Plan (and, if applicable, any minimum purchase price for the stock that may be required by applicable law) must be paid in full at the time of such grant. The procedures for meeting such requirements shall be established under the provisions of section 17 hereof.

12. Fair Market Value of Common Shares. For purposes of the Plan, the fair market value of a Common Share on any date (for purposes of this section 12, the "subject date") shall be deemed to be the closing price of a Common Share on the New York Stock Exchange on the subject date (or, if no trading in any stocks occurred at all on such exchange on the subject date, on the next subsequent date on which trading of stocks occurred on such exchange). Notwithstanding the foregoing, if Common Shares are not listed or traded at all on the New York Stock Exchange on the date as of which a Common Share's fair market value for the subject date is to be determined under the terms of the immediately preceding sentence, then the fair market value of a Common Share on the subject date shall be determined by the Committee in good faith pursuant to methods and procedures established by the Committee.

13. Performance Goals.

13.1 Criteria for Performance Goals. To the extent the meeting of performance goals set by the Committee may be a condition to the exercise of or payment under any award granted under the Plan, the Committee may base such performance goals on, and only on, one or more of the following criteria applicable to the Company:

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

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

(c) earnings per share;

(d) operating income;

(e) total shareholder returns;

(f) profit targets;

(g) revenue targets;

(h) profitability targets as measured by return ratios;

(i) net income;

(j) return on sales;

(k) return on assets;

(l) return on equity; and

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

13.2 Method By Which Performance Criteria Can Be Measured.

(a) Any performance criteria described in subsection 13.1 hereof that is used to determine the performance goals applicable to an award granted under the Plan shall be measured or determined on the basis of a period of such duration (for purposes of this subsection 13.2, a "performance period"), which period may be of any length, but not less than one year or in excess of ten years, as is set by the Committee either prior to the start of such period or within its first 90 days (provided that the performance criteria is not in any event set after 25% or more of the applicable performance period has elapsed) and shall be criteria that will be able to be objectively determined by the Committee.

(b) Further, the Committee may provide in the terms of an award granted under the Plan that any factor used to help determine any performance criteria identified in subsection 13.1 hereof shall be taken into account only to the extent it exceeds or, conversely, is less than a certain amount. The Committee may also provide in the terms of an award granted under the Plan that, in determining whether any performance criteria identified in subsection 13.1 hereof has been attained, certain special or technical factors shall be ignored or, conversely, taken into account, in whole or in part, including but not limited to any one or more of the following factors:

(1) a gain, loss, income, or expense resulting from changes in generally accepted accounting principles that becomes effective during the applicable performance period or any previous period;

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

(3) an impact of other specified nonrecurring events;

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

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

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

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

(8) an impact of investments or acquisitions made during the applicable performance period or any prior period;

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

(10) retained and uninsured losses from natural catastrophes;

(11) currency fluctuations;

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

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

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

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

(c) In addition, any performance criteria identified in subsection 13.1 hereof, and any adjustment in the factors identified in paragraph (b) of this subsection 13.2 that are used to determine any such performance criteria, (i) may be measured or determined for CBI, for any organization other than CBI that is part of the Company, for the entire Company in the aggregate, or for any group of corporations or organizations that are included in the Company and (ii) may be measured and determined in an absolute sense and/or in comparison to the analogous performance criteria of other publicly-traded companies (that are selected for such comparison purposes by the Committee).

13.3 Verification That Performance Goals and Other Conditions Are Met. To the extent any payment under, or any exercise of, an award granted under the Plan requires the meeting of any performance goals and/or any other conditions that have been set by the Committee, the Committee shall verify that such performance goals and/or such other conditions have been met before such payment or exercise is permitted.

14. Nonassignability of Awards. Except as may be required by applicable law, no award granted under the Plan to a Participant may be assigned, transferred, pledged, or otherwise encumbered by the Participant otherwise than by will, by designation of a beneficiary to take effect after the Participant's death, or by the laws of descent and distribution. Each award shall be exercisable during the Participant's lifetime only by the Participant (or, if permissible under applicable law, by the Participant's guardian or legal representative).

15. Provisions Upon Change in Control. Notwithstanding the terms of an applicable award or any other provision of the Plan (but in no way limiting section 16 hereof), this section 15 shall govern the effect of a Change in Control on awards that are granted under the Plan on or after January 29, 2014.

15.1. Disposition of Awards following Change in Control.

(a) In the event of a Change in Control, the Company (or, if the Company is not the surviving company or the acquiring company in the Change in Control, the other applicable surviving company or acquiring company) may continue, assume, or provide substitution for outstanding awards granted under the Plan in a manner that provides to Participants rights and economic value substantially proportionate to the rights and economic value of such awards immediately before the Change in Control; provided, however, that no assumption or substitution shall be made to any award unless, after such assumption or substitution, the assumed or substituted award continues to be exempt from or in compliance with the requirements of Section 409A of the Code.

(b) In the event of a Change in Control, if and to the extent that awards granted under the Plan are not continued, assumed, or substituted for under paragraph (a) of this subsection 15.1, then (i) outstanding stock options and stock appreciation rights granted under the Plan to a Participant shall immediately become exercisable in full upon the date of the Change in Control, (ii) the restrictions still then in force and applicable to any Common Shares awarded as restricted stock under the Plan to a Participant shall immediately lapse upon the date of the Change in Control, and (iii) any outstanding performance share, share-based performance unit, and nonshare-based performance unit (collectively and for purposes of this section 15, a "Performance Award") granted under the Plan to a Participant shall be paid as of the date of the Change in Control at the payment amount that was attainable (and not previously paid) under such award if all performance goals and other criteria or conditions applicable to the award were satisfied at 100% (but not more than 100%) of the "target" performance goal.

15.2 Cashout of Awards.

(a) In addition, notwithstanding the provisions of subsection 15.1, in the event of a Change in Control the Committee shall have discretion to cause a cash payment to be made to a person who then holds a stock option or stock appreciation right granted under the Plan, in lieu of the right to exercise such stock option or stock appreciation right or any portion thereof, and thereby to cause such stock option or stock appreciation right to be canceled and terminated. In the event the Committee exercises its discretion to cause such cash payment to be made, the amount of such cash payment shall be equal to the amount (if any) by which (i) the aggregate fair market value (on the date of the Change in Control) of the Common Shares that are subject to such stock option or stock appreciation right exceeds (ii) the aggregate Exercise Price (for purposes of this paragraph (a), as defined in section 7 with respect to stock options and section 8 with respect to stock appreciation rights) of such Common Shares under such stock option or stock appreciation right. In such a case, if the aggregate fair market value (on the date of the Change in Control) of the Common Shares that are subject to a stock option or stock appreciation right is less than the aggregate Exercise Price of the Common Shares that are subject to such stock option or stock appreciation right, the person holding such stock option or stock appreciation right shall be deemed to have been paid in full in lieu of the right to exercise such stock option or stock appreciation right and such stock option or stock appreciation right shall be canceled and terminated.

(b) Further, in the event of a Change in Control and with respect to any Performance Award that, as of the date of such Change in Control, would otherwise be payable in Common Shares, the Committee shall have discretion to cause the payment of such Performance Award to be made in cash instead of Common Shares. In the event the Committee exercises its discretion to cause such cash payment to be made, the amount of such cash payment shall be equal to the aggregate fair market value, on the date of the Change in Control, of the Common Shares that would otherwise then be payable under such Performance Award.

15.3 Effect of Involuntary Termination of Employment within Twenty-Four Months following Change in Control. If, in connection with a Change in Control and in accordance with paragraph (a) of subsection 15.1, (i) awards granted under the Plan are continued or assumed or awards are made in substitution for awards granted under the Plan (for purposes of this subsection 15.3, all such continued, assumed, or substituted awards are referred to as "Plan awards") and (ii) a Participant experiences an Involuntary Termination of Employment within 24 months following such Change in Control, then, with respect to Plan awards granted to such Participant that are outstanding as of the date of such Participant's termination of employment: (x) such Plan awards that are stock options or stock appreciation rights shall become fully exercisable upon the date of the Participant's termination of employment, (y) the restrictions still then in force and applicable to Common Shares awarded as such Plan awards that are restricted stock shall immediately lapse upon the date of the Participant's termination of employment, and (z) such Plan awards that are Performance Awards shall be paid as of the date of the Participant's termination of employment at the payment amount that was attainable (and not previously paid) under such award if all performance goals and other criteria or conditions applicable to the award were satisfied at 100% (but not more than 100%) of the award's "target" performance goal. For purposes of this subsection 15.3, a Participant shall be considered to have experienced an "Involuntary Termination of Employment" if and as of the date that (i) the Company terminates the Participant's employment (when the Participant is willing and able to continue his or her employment with the Company) for any reason other than the Participant's death, disability, explicit or implicit request, fraud, misappropriation, embezzlement, or misconduct constituting serious criminal activity on the part of the Participant or (ii) the Participant terminates his or her employment with the Company because, without the Participant's consent, there is (x) a material reduction by the Company in the Participant's authority, reporting relationship, or responsibilities, (y) there is a material reduction by the Company in the Participant's compensation, or (z) there is a material change in the Participant's work location.

15.4 Terms Related to Change in Control. Notwithstanding any other provision of the Plan, the terms of any award granted under the Plan shall not provide for the waiver of any employment condition, performance goal, or any otherwise applicable limitation, condition, or restriction (together for purposes of this subsection 15.4 an "award restriction") due in whole or in part to a Change in Control, except to the extent provided under section 15 hereof. In this regard, the Committee may prescribe in terms of an applicable award the specific manner in which the provisions of this section 15 apply to the applicable award, for instance by providing administrative rules related to payment in the event that the provisions of this section 15 are put into effect, but the Committee shall not prescribe in the terms of an applicable award any additional or alternative circumstances under which any award restriction is waived due in whole or in part to the occurrence of a Change in Control.

16. Adjustments.

16.1 Adjustments for Stock Dividends, Stock Splits, and Other Corporate Transactions.

(a) In the event of any change affecting the Common Shares by reason of any stock dividend or split, recapitalization, merger, consolidation, spin-off, combination or exchange of shares, or other corporate change, or any distributions to common shareholders other than cash dividends, then, subject to the provisions of paragraph (b) of this subsection 16.1, the Committee shall make such substitution or adjustment in the aggregate number or class of shares which may be distributed under the Plan and in the number, class, and exercise price or other price of shares on which the outstanding awards granted under the Plan are based as it determines to be necessary or appropriate in order to prevent the enlargement or dilution of rights under the Plan or under awards granted under the Plan.

(b) The Committee shall not take any action under the provisions of paragraph (a) of this subsection 16.1 with respect to any specific award granted under the Plan to the extent it determines that such action would otherwise cause such award to become subject to the requirements of Code Section 409A when such award would not be subject to such requirements in the absence of such adjustment.

16.2 Adjustments To Correct Errors or Omissions. The Committee shall be authorized to correct any defect, supply any omission, or reconcile any inconsistency in the Plan or any award granted under the Plan in the manner and to the extent it shall determine is needed to reflect the intended provisions of the Plan or that award or to meet any law that is applicable to the Plan (or the provisions of any law which must be met in order for the normal tax consequences of the award to apply).

17. Procedures For Satisfying Payment and Withholding Requirements.

17.1 Committee May Develop Payment/Withholding Procedures. The Committee may, in its discretion, establish procedures governing the exercise of, lapse of restrictions under, and/or payment of any award granted under the Plan and to compel under such procedures that, to the extent applicable under such award, any purchase price for Common Shares being obtained under such award and/or taxes required to be withheld by the terms of such award or under applicable law (with any such purchase price and/or tax withholding requirements being referred to in this section 17 as the "payment/withholding requirements") be paid in full. The Committee may provide for different rules as to the satisfying of the payment/withholding requirements with respect to each type of award granted under the Plan and even among awards of the same type that are granted under the Plan. The Committee's procedures applicable to the satisfaction of any payment/ withholding requirements that apply to an award granted under the Plan may, in the discretion of the Committee, include commonly accepted electronic or telephonic notices given via the internet or an interactive voice response system to a third party broker which is designated by the Committee to facilitate and/or administer the exercise or payment of any awards granted under the Plan.

17.2 Default Payment/Withholding Procedures. Unless the Committee otherwise prescribes in the written agreement by which an award is granted under the Plan, any Participant to whom an award under the Plan is granted (or, if applicable, such other person who is exercising or receiving a payment under the award) may, in his or her sole discretion, satisfy the payment/withholding requirements that apply to such award by using any one or more of the following methods or any combination of the following methods:

(a) by making a payment to the Company of an amount in cash (which, for purposes of the Plan, shall be deemed to include payment in U.S. currency or by certified check, bank draft, cashier's check, or money order) equal to the amount of such payment/withholding requirements;

(b) by making a payment to the Company in Common Shares which are previously owned by the Participant (or such other person) and have a fair market value on the date of payment equal to the amount of such payment/withholding requirements;

(c) by having CBI retain Common Shares which are otherwise being purchased or paid under the award and have a fair market value on the date of payment equal to the amount of such payment/withholding requirements;

(d) by having CBI retain an amount of cash that is payable under the award and equal to the amount of such payment/withholding requirements; and/or

(e) by having the Company retain an amount of cash that is payable under any other compensation applicable to the Participant (or such other person) and equal to the amount of such payment/withholding requirements.

17.3 Limitation on Common Shares Used to Meet Payment/Withholding Requirements. Notwithstanding any other provisions of subsections 17.1 and 17.2 hereof, Common Shares may not be used in payment by the Participant for satisfying any payment/withholding requirements that apply to an award granted under the Plan either (i) if the Common Shares being used in payment are being purchased upon exercise of the applicable award and the award is an ISO or (ii) if the Common Shares being used in payment both were previously acquired by the Participant through the exercise of a prior ISO and have been held by the Participant for less than two years from the date of grant of the prior ISO or less than one year from the date of the prior transfer of such Common Shares to him or her.

17.4 Right of Company To Retain Amount To Meet Payment/Withholding Requirements If Requirements Are Not Otherwise Met. If any Participant (or other person) who is responsible for satisfying any payment/withholding requirements that apply to an award granted under the Plan otherwise fails to satisfy such payment/withholding requirements under the procedures or other rules set forth in the foregoing provisions of this section 17, the Company shall have the right to retain from such award or the payment thereof (or from any other amount that is payable as compensation to the Participant or such other person), as appropriate, a sufficient number of Common Shares or cash otherwise applicable to the award (or otherwise applicable to such other compensation amount) in order to satisfy such payment/withholding requirements.

18. Amendment or Termination of Plan.

18.1 Right of Board To Amend or Terminate Plan. Subject to the provisions of subsection 1.3(b) hereof but notwithstanding any other provision hereof to the contrary, the Board may amend or terminate the Plan or any portion or provision thereof at any time, provided that no such action shall materially impair the rights of a Participant with respect to a previously granted Plan award without the Participant's consent. Notwithstanding the foregoing, the Board may not in any event, without the approval of CBI's shareholders, adopt an amendment to the Plan which shall: (i) increase the total number of Common Shares which may be issued during the existence of the Plan; (ii) increase the total number of Common Shares which may be subject to or issued under ISOs granted during the existence of the Plan; (iii) change the class of persons eligible to become Participants under the Plan; or (iv) make any other change in the Plan that is required by applicable law to be approved by CBI's shareholders in order to be effective.

18.2 Rules When Shareholder Approval for Amendment Is Required. If approval of CBI's shareholders is required to a Plan amendment pursuant to the provisions of subsection 18.1 hereof, then such approval must comply with all applicable provisions of CBI's corporate charter, bylaws and regulations, and any applicable state law prescribing a method and degree of shareholder approval required for issuance of Common Shares. If the applicable state law fails to prescribe a method and degree in such cases, then such approval must be made by a method and degree that would be treated as adequate under applicable state law in the case of an action requiring shareholder approval of an amendment to the Plan.

19. Miscellaneous.

19.1 Exception to Service Vesting Requirements Under Certain Awards. Notwithstanding any other provision of subsections 9.1(a), 10.1(a), (b), and (c), and 11.1 hereof but subject to all other limits and provisions of the Plan, up to but not in excess of 400,000 Common Shares (in the aggregate) may be issued or paid (i) under awards of restricted stock, performance shares, share-based performance units, and/or nonshare-based performance units that do not impose the restrictions or conditions set forth in subsections 9.1(a) and 10.1(a), (b), and (c) that otherwise would require (for the applicable Participant to receive, or retain without forfeiting, the compensation reflected by the award) that the Participant must either be an employee of the Company for a specified continuous period of time or terminate employment with the Company in special circumstances and (ii) under awards of non-restricted stock.

19.2 Section 83(b) Election. A Participant may, with respect to any award granted to him or her under the Plan with respect to which an election could be made under Section 83(b) of the Code (generally to include in his or her gross income for Federal income tax purposes in the year the award is transferred to him or her the amounts specified in such Code section), make such election provided that (i) the terms and conditions of such award fail to prohibit the Participant making such election and (ii) the Participant provides written notice to the Committee of such election, and satisfies any tax withholding requirements that are then applicable to the award because of his or her election under Code Section 83(b), within ten days after he or she has filed a written notice of such election with the Internal Revenue Service (as well as meeting all other notice and additional requirements for such election that are required by Section 83(b) of the Code).

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

19.4 Prohibition on Reduction of Exercise Price. Subject to the provisions of subsection 16.1 hereof but notwithstanding any other provision of the Plan, in no event shall the exercise or other similar price applicable to an award granted under the Plan, including a stock option or a stock appreciation right granted under the Plan, be reduced, directly or indirectly, by an amendment to the award, by the cancellation of the award and the granting of a new award, or by any other means unless such reduction is approved by CBI's shareholders (with such approval meeting the same conditions as are described in subsection 18.2 hereof as to the approval of a Plan amendment).

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

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

19.7 Plan Benefits Generally Not Part of Compensation for Other Company Benefit Plans. Any payments or other benefits provided to a Participant with respect to an award granted under the Plan shall not be deemed a part of the Participant's compensation for purposes of any termination or severance pay plan, or any other pension, profit sharing, or other benefit plan, of the Company unless such plan expressly or clearly indicates that the payments or other benefits provided under an award granted under the Plan shall be considered part of the Participant's compensation for purposes of such plan or unless applicable law otherwise requires.

19.8 No Issuance of Common Shares Unless Securities Laws Permit Issuance. Notwithstanding any other provision of the Plan to the contrary, in no event shall CBI be obligated to issue or deliver any Common Shares under the Plan in connection with an award granted under the Plan unless and until CBI determines that such issuance or delivery will not constitute a violation of the provisions of any applicable law (or regulation issued under such law) or the rules of any securities exchange on which Common Shares are listed and will not be subject to restrictions not generally applicable to Common Shares. In addition, with respect to any Participant who is subject to the requirements of Section 16 of the Exchange Act, transactions under the Plan are intended to comply with all applicable requirements of Rule 16b-3. To the extent any provision of the Plan or an award granted under the Plan or action by the Committee fails to so comply, it shall be deemed to be null and void to the extent permitted by law or deemed advisable by the Committee.

19.9 Awards To Employees of CBI Affiliate May Be Made In Shares of Subsidiary. Notwithstanding any other provision of the Plan, any award granted under the Plan to an Employee who is, at the time of the grant of the award, an employee of a corporation (other than CBI) that is part of a controlled group of

corporations (within the meaning of Section 1563(a) of the Code, but determined without regard to Code Section 1563(a)(4) and (e)(3)(C)) that includes CBI may be based on common shares of such other corporation. In such case, all of the provisions of the Plan, including the Common Share limits set forth in section 6 hereof, shall apply to such award in the same manner as if such other corporation's common shares were Common Shares.

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

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

19.12 Certain Adjustments of Awards Not Permitted. Effective as of January 29, 2014 (and as to both any awards granted under the Plan prior to such date to the extent such awards are still outstanding as of such date and any awards granted under the Plan on or after such date), except to the extent provided in section 15 or section 16 hereof, without shareholder approval (i) the terms of awards granted under the Plan may not be amended to reduce the exercise price that applies to stock options or stock appreciation rights and (ii) no stock option or stock appreciation right may be cancelled in exchange for a cash payment, other awards, or stock options or stock appreciation rights with an exercise price that is less than the exercise price of the original stock option or stock appreciation right, as applicable.

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, 2014

☐ **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
6¾% Cumulative 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 $0.8 billion, computed by reference to the closing sale price of the common stock on the New York Stock Exchange on June 30, 2014, 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, 2015, there were 209,570,776 common shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement relating to the Company's 2015 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	11
Item 1B.	Unresolved Staff Comments	22
Item 2.	Properties	23
Item 3.	Legal Proceedings	23
Item 4.	Mine Safety Disclosures	23

PART II

Item 5.	Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	24
Item 6.	Selected Financial Data	26
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	27
Item 7A.	Quantitative and Qualitative Disclosure About Market Risk	62
Item 8.	Financial Statements and Supplementary Data	63
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	124
Item 9A.	Controls and Procedures	124
Item 9B.	Other Information	124

PART III

Item 10.	Directors, Executive Officers and Corporate Governance	125
Item 11.	Executive Compensation	126
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	126
Item 13.	Certain Relationships and Related Transactions, and Director Independence	126
Item 14.	Principal Accountant Fees and Services	126

PART IV

Item 15.	Exhibits and Financial Statement Schedules	127
	Signatures	134

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

Part I

Item 1. Business

Overview and Strategy

Cincinnati Bell Inc. and its consolidated subsidiaries ("Cincinnati Bell", "we", "our", "us" or the "Company") provides integrated communications solutions — including high-speed internet, data, video, and local and long distance voice — that keep residential and business customers in Greater Cincinnati connected with each other and with the world. In addition, business customers across the United States rely on CBTS, a wholly-owned subsidiary, for the sale and service of efficient, end-to-end communications and IT systems and solutions. Cincinnati Bell also owns approximately 44% of CyrusOne Inc. (NASDAQ: CONE) ("CyrusOne"), which specializes in highly reliable enterprise-class, carrier-neutral data center properties.

Our goal is to transform Cincinnati Bell from a legacy copper-based telecommunications company into a fiber-based entertainment, communications and IT solutions company with growing revenue, growing profits and sustainable cash flows. In an effort to meet our goal, we identified the following key initiatives:

- continue the expansion of our fiber network
- evaluate opportunities to thoughtfully monetize our CyrusOne investment in order to reduce leverage
- manage the wireless business for cash flows and profitability as we wind down operations

Continue the expansion of our fiber network

We invested $130.0 million of capital in our strategic products during 2014. Revenue from these high demand products totaled $435.6 million, up 21% over the prior year and more than offset the decline in our legacy products. The primary focus of our strategic investments is the expansion of our Fioptics suite of products which is designed to compete directly with the cable Multiple System Operators (MSO) serving the Company's ILEC market area. We invested $93.1 million in 2014 for Fioptics as demand for the products remains strong. Year-over-year growth is outlined in the table:

	2014	2013	2012
Fioptics Revenue (in millions):	$142.4	$100.8	$68.2
Fioptics subscribers (in thousands):			
High-speed internet	113.7	79.9	56.8
Entertainment	91.4	74.2	55.1
Voice	61.0	53.3	40.8

During the year we passed an additional 59,000 addresses with Fioptics and as of December 31, 2014 the product is available to approximately 335,000 customer locations or 41% of Greater Cincinnati. In the third quarter of 2014, we announced a plan to further accelerate the build-out of Fioptics to capitalize on the heightened demand for the product as well as the unique opportunity created by the pending acquisition of the cable provider in our market.

The Company also invested $25.0 million in fiber and IP-based core network technology to meet increased enterprise demand primarily within its ILEC geography and in contiguous markets in the Midwest region for high-bandwidth data transport products, such as metro-ethernet and VoIP. We continue to evolve and optimize network assets to support the migration of legacy products to new technology and as of December 31, 2014, the Company has:

- connected approximately 5,800 commercial buildings with fiber-based services (also referred to as a lit building), including more than 550 multi-tenant units ("MTU's") lit with fiber;
- expanded the fiber network to span more than 6,600 route miles; and
- provided cell site back-haul services to more than 70% of the 1,100 cell sites in-market, of which approximately 500 are lit with fiber.

As a result of our strategic investments, we generated year-over-year wireline revenue growth for the first time since 2007. Wireline strategic revenue totaled $305.0 million (net of intercompany), up 23% compared to the prior year, primarily due to growth in our Fioptics suite of products. Strategic revenue from business customers was also up 12% in 2014 due to increased demand for metro-ethernet and VoIP products.

In addition to our fiber investments, we also invested $11.9 million in our IT Services and Hardware strategic products generating an 18% increase in strategic revenue as demand for staffing solutions and managed telephony service offerings remains robust. Revenue growth from Telecom and IT equipment sales increased 29% year-over-year, and remains an important value added product to our existing customer base.

Evaluate opportunities to monetize our CyrusOne investment

On June 25, 2014, we consummated the sale of 16.0 million operating partnership units of CyrusOne LP to CyrusOne, Inc. at a price of $22.26 per unit. The sale generated proceeds of $355.9 million and resulted in a gain of $192.8 million. Proceeds from the sale were used to redeem $325.0 million of the outstanding 8¾% Senior Subordinated Notes due 2018 at a redemption rate of 104.375%, reducing annual interest expense by approximately $28 million.

As of December 31, 2014, we effectively own 44% of CyrusOne, which is held in the form of 1.9 million shares of CyrusOne common stock and 26.6 million CyrusOne LP partnership units. The fair value of this investment was $785.0 million based on the quoted market price of CyrusOne's common stock at December 31, 2014. In determining the appropriate time to further monetize our CyrusOne investment, we will give due consideration to, among other factors: CyrusOne's stock price, market performance of other real estate investment trusts ("REIT") and overall market indicators. We will balance our objectives of reducing the risk associated with owning any equity security, with the upside appreciation potential for our investment in CyrusOne. Proceeds from any future monetization event will be primarily used for debt repayment, in accordance with the terms in our amended Corporate Credit Agreement, in an effort to achieve leverage ratios in line with other telecom companies.

Manage the Wireless business for cash flows and profitability as we wind down operations

Our Wireless operating territory is saturated with national carriers that are able to offer customers nation-wide family talk and data plans using premier handsets on more technologically advanced LTE networks. As a result, our postpaid subscriber base decreased, on average, 20% in 2012 and 2013. In the first quarter of 2013, we announced that we were exploring strategic alternatives for our wireless operations and on April 6, 2014, we entered into agreements to sell our wireless spectrum licenses and certain other assets related to our wireless business, including leases to certain wireless towers and related equipment and other assets. The agreement to sell our wireless spectrum licenses closed on September 30, 2014 for cash proceeds totaling $194.4 million. Simultaneously, a separate agreement to use certain spectrum licenses until we discontinue providing wireless service became effective. We plan to provide wireless service until no later than April 6, 2015 as we migrate the remaining 82,400 subscribers to other carriers, at which time we will transfer the tower leases being assumed and other assets being acquired.

Operations

As of December 31, 2014, 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 data transport, high-speed internet, entertainment, local voice, long distance, 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 over 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 key products and services provided by the Wireline segment include the following:

Data Services

The Company's data service products include high-speed internet access, data transport, and interconnection services. Consumer demand for increased internet speeds is accelerating and more customers are opting for higher bandwidth solutions such as Fioptics. To address this demand, we able to provide internet speeds of 10 megabits or more to nearly 490,000 addresses, or 60% of our operating territory with the coverage expected to increase to approximately 80% by the end of 2016.

As business 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.

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"), migrated to competitors, or were 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; and
- increasing the sale of VoIP services and other fiber-based products to business customers (reported under the caption Long Distance and VoIP).

Long Distance and VoIP

The Company's investment in its VoIP network 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.

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.

Entertainment

In 2009, the Company launched Fioptics and focused our 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 41% of Greater Cincinnati and as of December 31, 2014, we have 91,400 entertainment subscribers. 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, over 120 high-definition channels, parental controls, HD DVR and video On-Demand.

In addition, we offer features that deliver high customer satisfaction, including Fioptics TV Everywhere™ and a Fioptics live TV streaming application.

Other Revenues

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

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 allows it to competitively sell and install a wide array of telecommunications and computer equipment to meet the needs of its customers. This segment 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. The Company's digital wireless network utilizes approximately 460 cell sites in its operating territory. 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.

On April 6, 2014, we entered into agreements to sell our wireless spectrum licenses and certain other assets related to our wireless business, including leases to certain wireless towers and related equipment and other assets. The agreement to sell our spectrum licenses closed on September 30, 2014. Prior to this date, the Company's digital wireless network utilized 50 MHz of licensed spectrum in the Cincinnati area and 40 MHz of licensed spectrum in the Dayton area. Simultaneous with the close of the spectrum sale, the Company entered into a separate agreement to use certain wireless spectrum licenses in order to provide wireless service until no later than April 6, 2015.

Equity Method Investment in CyrusOne

On January 24, 2013, we completed the initial public offering ("IPO") of CyrusOne, a former subsidiary that provides full data center colocation services to enterprise customers through its facilities currently located in the Midwest, Texas, Arizona, London and Singapore. Effective with the IPO, we no longer consolidate CyrusOne in our financial statements and now account for our ownership in CyrusOne as an equity method investment.

CyrusOne is a real estate investment trust ("REIT") that conducts its data center business through CyrusOne LP, an operating partnership. Cincinnati Bell owns approximately 44% of the economic interests of CyrusOne (NASDAQ: CONE), through the ownership of 1.9 million shares of CyrusOne's common stock and 26.6 million partnership units of CyrusOne LP. At December 31, 2014, the fair value of this investment was $785.0 million based on the quoted market price of CyrusOne's common stock.

Sales and Distribution Channels

The Company's Wireline and Wireless segments utilize a number of distribution channels to acquire customers. Subsequent to the agreement to sell our wireless spectrum, we significantly reduced our sales effort for wireless service and products and rebranded our retail stores to market and distribute our Fioptics suite of products. As of December 31, 2014, the Company operated eight retail stores in its operating territory, up from seven 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. The Company also offers fully-automated, end-to-end web-based sales of various other Company services and accessories. In addition, the Company utilizes a door-to-door sales force that targets the sale of Fioptics to residents.

During 2014, there were approximately 130 third-party agent locations that sold Wireline and Wireless products and services at their retail locations. The Company supported these agents with discounted prices for equipment and commission structures. In conjunction with the completion of the wireless spectrum sale on September 30, 2014, the Company has discontinued third-party agent relationships. The Company also sells wireline capacity on a wholesale basis to independent companies, including competitors that resell these services to end-users.

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 the Company offers. Smaller business customers are supported through a telemarketing sales force, customer representatives and store locations.

Suppliers and Product Supply Chain

The Company generally subjects purchases to competitive bids and selects its vendors based on price, service level, delivery, quality of product and terms and conditions.

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

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.

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.

Competition

The telecommunications industry is very competitive and the Company competes against larger, well-capitalized national providers.

The Wireline segment faces competition from other local exchange carriers, wireless service providers, inter-exchange carriers, as well as cable, broadband, and internet service providers. The Company has lost, and will likely continue to lose, access lines as a part of its customer base utilizes the services of competitive wireline or wireless providers in lieu of the Company's services. 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 local voice and long-distance services. 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. 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 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, CyrusOne represented 15% of our revenue.

Percentage of revenue	2014	2013	2012	2014 vs 2013 Change	2013 vs 2012 Change
Data	26%	25%	24%	1 pt	1 pt
Voice - local service	16%	18%	20%	(2)	(2)
Long distance and VoIP	8%	9%	9%	(1)	—
Entertainment	6%	4%	2%	2	2
Other Wireline	1%	1%	1%	—	—
Total Wireline	57%	57%	56%	—	1
Managed and professional services	11%	10%	9%	1	1
Telecom and IT equipment sales	22%	17%	16%	5	1
Total IT Services and Hardware	33%	27%	25%	6	2
Wireless	10%	16%	19%	(6)	(3)
Total (excluding CyrusOne)	100%	100%	100%	—	—

In 2014, the Company's revenue mix was 66% to business customers and 34% to residential customers. By comparison, the Company's 2013 revenues were comprised of 63% to business customers and 37% to residential customers, excluding CyrusOne. Excluding Wireless, our revenue mix would be 72% to business customers and 28% to residential customers in 2014, and strategic revenues would account for 38% of our total revenue. During 2014, strategic Wireline revenue accounted for 42% of total Wireline revenue compared to 35% in 2013.

The Company has sales with one large customer that contributed 14% of the Company's 2014 annual revenue. The same customer had receivables of 26% and 19% of the outstanding accounts receivable balance as of December 31, 2014 and 2013, respectively.

Employees

At December 31, 2014, the Company had approximately 3,100 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 expired on August 9, 2014 and the parties are currently in negotiations to renew the contract.

Website Access and Other Information

The Company was incorporated under the laws of Ohio in 1983 with its headquarters 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

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, 2014, 2013, and 2012, and assets as of December 31, 2014 and 2013 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, 2014, the Company and its subsidiaries had outstanding indebtedness of $1,784.2 million, on which it incurred $148.7 million of interest expense in 2014, and had total shareowners' deficit of $648.5 million. At December 31, 2014, the Company and its subsidiaries had $90.7 million of borrowing availability under its accounts receivable securitization facility ("Receivables Facility"), and had the ability to borrow up to an additional $150.0 million under the Corporate Credit Agreement's revolving credit facility, 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;
- 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 alliances, 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 redeem 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 Corporate Credit Agreement, 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 short-term financing requirements in excess of amounts generated by operations.

As of December 31, 2014, the Company had no outstanding borrowings under the Corporate Credit Agreement's revolving credit facility, leaving $150.0 million in additional borrowing availability under this facility. The $150.0 million available under the Corporate Credit Agreement's revolving credit facility 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.

Effective with the sale of our 16.0 million partnership units to CyrusOne, Inc. on June 25, 2014 for $355.9 million, the amount available under the Corporate Credit Agreement's revolving credit facility was reduced to $150.0 million from its original capacity of $200.0 million. In addition, the original revolving commitments will be further reduced to $125.0 million on December 31, 2015.

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.

As of December 31, 2014, the Company had $19.2 million of borrowings and $6.9 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 $116.8 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, 2014, the Company had $90.7 million of borrowing capacity remaining under its Receivables Facility.

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 alliances, 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 operates in highly competitive industries, and customers may not continue to purchase products or 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 competitors 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 9% and long distance subscribers decreased by 8% in 2014 compared to 2013.

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. 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

video 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.

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.

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 improvements. 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 or limit the growth from its strategic products, which would have a material adverse effect on the Company's revenue, results of operations, and cash flows.

Accelerating the pace of investment in our Fioptics suite of products could have a negative impact on our financial results.

In order to take advantage of a unique opportunity in our market, and due to a progressive change in customer expectations of increased internet speeds, beginning in 2014 we began accelerating the pace of investment in our Fioptics suite of products, and intend to continue such accelerated investments through 2016. There are several factors that could result in a negative effect on our revenue, operating income and cash flows, such as:

- our costs could significantly exceed expectations
- the acceleration may not generate the expected increase in subscribers
- it may be inefficient to build out the additional fiber at an accelerated rate
- there may be a lack of workforce to achieve our construction, sales, and installation targets
- access to the fiber required for our construction plans may be limited

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 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.

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, 2014 and 2013, the Company had receivables with one large customer that makes up 26% and 19% of the outstanding accounts receivable balance, respectively. This same customer contributed 14% to consolidated revenue for the year ended 2014. 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 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 borrowing capacity under the Receivables Facility.

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. The Company is accelerating the pace of investment in its Fioptics suite of services and intends to continue to increase its capital expenditures for fiber optic cable through 2016.

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.

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.

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 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.

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.

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 the competition has typically been able to set rates for 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.

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.

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. The loss of, or problems with one or more of these third-party providers may result in an adverse effect on our ability to provide products and services to our customers and on our results of operations and financial condition.

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 expired in August 2014. At that time, the Company reached a tentative agreement with the CWA on a new labor contract. This contract was not ratified by local members of the union on two separate occasions and the two parties have resumed negotiations. If a resolution is not achieved, a work force stoppage could occur resulting in a negative effect on our revenue, operating income and cash flows.

No assurance can be given that the Company will be able to successfully extend or renegotiate its collective bargaining agreements. 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.

As of December 31, 2014, we effectively own 44% of CyrusOne, which is held in the form of 1.9 million shares of CyrusOne common stock and 26.6 million CyrusOne LP partnership units. 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. 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 2014 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 Company's failure to remove all subscribers from its wireless network may result in a fine or a penalty adversely affecting revenues, earnings and cash flows.

On September 30, 2014, we closed the agreement to sell our wireless spectrum licenses which requires us to cease wireless operations no later than April 6, 2015. Should we still have wireless subscribers at that time, we would be subject to penalty per terms of the agreement. Subsequent to discontinuing wireless operations, we will start the process of decommissioning the network and removing assets and equipment from our remaining tower leases. Any unforeseen complications or delays could negatively impact profitability and cash flows.

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, 2014, the Company had net deferred income taxes of $369.6 million, which are primarily composed of deferred tax assets associated with U.S. federal net operating loss carryforwards of $232.8 million and state, local and foreign net operating loss carryforwards of $53.7 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 also provides healthcare and group life insurance benefits for eligible retirees. 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 $30 million of estimated aggregate cash contributions to its qualified pension plans for the years 2015 to 2018, of which $13 million is expected to be contributed in 2015. Additionally, the Company's postretirement costs are adversely affected by increases in medical and prescription drug costs. Further, if there are 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.

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 or services. 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, securities class actions, wage and hour class actions, personal injury claims and lawsuits relating to our advertising, sales, billing and collection processes. In addition, as we wind down our wireless business, we also face 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, 2014, we owned or maintained properties in Ohio, Kentucky and Indiana. Principal office locations are in Cincinnati, Ohio.

Our property comprises copper and fiber plant and associated equipment in our local operating market. 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 Wireline 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 addition, we lease eight Company-run retail locations. Those locations were historically used by the wireless operations but have been converted to sell our Fioptics suite of products.

Our wireless operation is currently leasing spectrum to provide service until April 6, 2015 in conjunction with the agreements to sell our wireless spectrum licenses and certain other assets related to our wireless business. CBW also leases locations that contain its switching and messaging equipment as well as all of its tower sites. Certain tower leases and the related assets will be assumed by the acquiring company.

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, 2014, 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
2014	High	$3.75	$3.95	$4.10	$3.71
	Low	$3.25	$3.19	$3.35	$2.97
2013	High	$5.57	$3.66	$3.51	$3.63
	Low	$2.94	$2.92	$2.72	$2.63

(b) Holders

As of January 31, 2015, the Company had 9,286 holders of record of the 209,570,776 outstanding common shares and 155,250 outstanding shares of the 6¾% Cumulative Convertible Preferred Stock.

(c) Dividends

In 2014 and 2013, the Company paid $10.4 million of dividends on its 6¾% Cumulative Convertible Preferred Stock. In 2014 and 2013, the Company did not pay any dividends on its common stock and does not intend to pay any common stock dividends in 2015.

(d) Securities Authorized For Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2014 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	7,653,877(1)	$3.84	1,551,558
Equity compensation plans not approved by security holders	166,721(2)	—	294,701
Total	7,820,598	$3.84	1,846,259

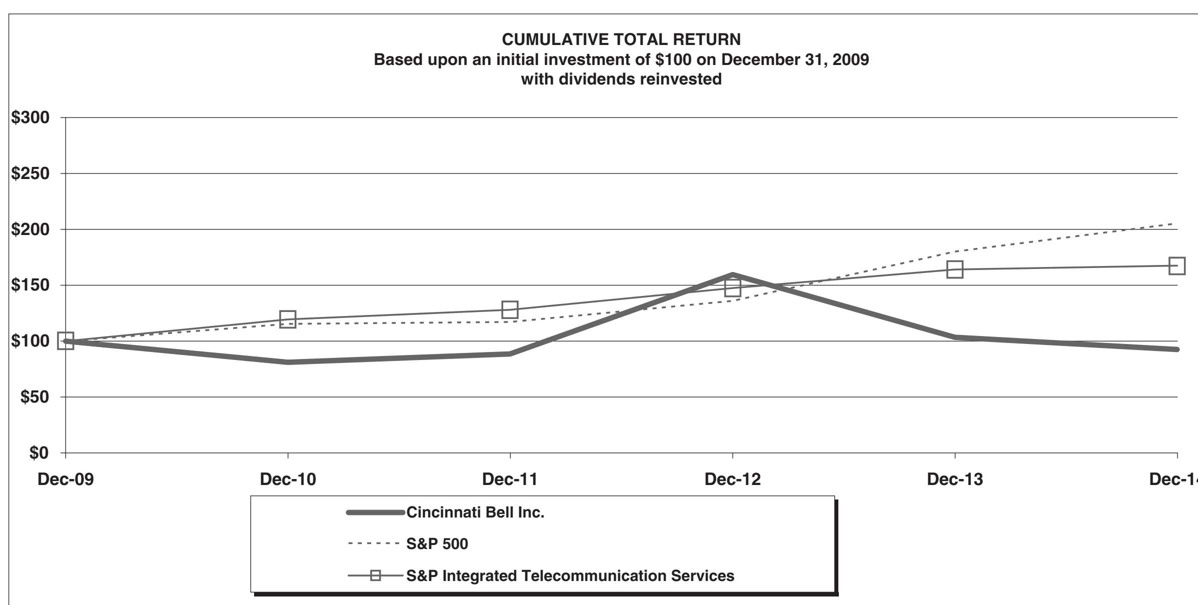
(1) Includes 5,224,346 outstanding stock options and stock appreciation rights not yet exercised, 683,903 shares of time-based restricted stock, and 1,745,628 shares of performance-based awards, restrictions on which have not expired as of December 31, 2014. Awards were granted under various incentive 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 2014 and 2013, no such awards were 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, 2014 is approximately 11,500. 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, 2009 (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-09	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14
Cincinnati Bell Inc.	$100	$81	$88	$159	$103	$92
S&P 500	$100	$115	$117	$136	$180	$205
S&P Integrated Telecommunication Services	$100	$119	$128	$147	$164	$167

Copyright © 2015 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, 2014:

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)*
10/1/2014 — 12/31/2014	—	$ —	—	$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 $150.0 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 repurchase 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)	2014	2013 (a)	2012	2011	2010 (b)
Operating Data					
Revenue	$1,278.2	$1,256.9	$1,473.9	$1,462.4	$1,377.0
Cost of services and products, selling, general and administrative, depreciation, and amortization expense	1,153.2	1,033.4	1,181.5	1,139.9	1,054.9
Other operating costs and losses (c)	9.2	59.7	22.3	63.0	22.8
Operating income	115.8	163.8	270.1	259.5	299.3
Interest expense	148.7	182.0	218.9	215.0	185.2
Loss on extinguishment of debt	19.6	29.6	13.6	—	46.5
Loss from CyrusOne equity method investment (d)	7.0	10.7	—	—	—
Gain on sale of CyrusOne equity method investment (e)	(192.8)	—	—	—	—
Net income (loss)	$ 75.6	$ (54.7)	$ 11.2	$ 18.6	$ 28.3
Basic and diluted earnings (loss) per common share	$ 0.31	$ (0.32)	$ 0.00	$ 0.04	$ 0.09
Dividends declared per common share	$ —	$ —	$ —	$ —	$ —
Weighted-average common shares outstanding					
Basic	208.5	205.9	197.0	196.8	201.0
Diluted	209.6	205.9	204.7	200.0	204.0
Financial Position					
Property, plant and equipment, net	$ 859.5	$ 902.8	$1,587.4	$1,400.5	$1,264.4
Total assets	1,819.7	2,107.3	2,872.4	2,714.7	2,653.6
Total long-term obligations (f)	2,058.4	2,529.7	3,215.2	3,073.5	2,992.7
Other Data					
Cash flow provided by operating activities	$ 175.2	$ 78.8	$ 212.7	$ 289.9	$ 300.0
Cash flow provided by (used in) investing activities (g)	392.6	(185.4)	(371.8)	(244.7)	(675.5)
Cash flow (used in) provided by financing activities (h)	(514.5)	87.6	109.0	(48.8)	429.8
Capital expenditures	(182.3)	(196.9)	(367.2)	(255.5)	(149.7)

(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, (gain) loss on disposal of assets—net, amortization of deferred gains, impairment of goodwill and other assets, and transaction costs.

(d) We account for our investment in CyrusOne 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) In 2014, we recorded a gain resulting from the sale of 16.0 million partnership units of CyrusOne LP to CyrusOne, Inc.

(f) 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 2014 and 2013.

(g) In 2014, cash from investing activities included $355.9 million of proceeds from the sale of 16.0 million partnership units of CyrusOne LP to CyrusOne Inc. and $194.4 million proceeds from the sale of Wireless spectrum licenses.

(h) Cash used in financing activities for 2014 includes the repayment of $325.0 million 8¾% Senior Subordinated Note due 2020 and repayment of $22.7 million 8⅜% Senior Notes due 2018.

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.

The Company is a full-service regional provider of data, entertainment, 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 communication systems and end-to-end IT solutions.

Consolidated revenue totaled $1,278.2 million for 2014, up 2%, as the growth from our strategic products, combined with increased telecom and IT equipment sales, more than offset declines from wireless and legacy products. Revenue from our strategic products totaled $435.6 million in 2014, up 21% compared to 2013.

Operating income in 2014 was $115.8 million, down from the prior year primarily due to increased costs associated with winding down wireless operations. Wireless restructuring charges totaled $16.3 million, in addition to an asset impairment of $7.5 million and $62.2 million additional depreciation and amortization expense due to reducing the useful lives of certain wireless assets. These cost increases were partially offset by accelerated deferred gain amortization and one-time IPO transaction related compensation in the prior year.

Net income for the year equaled $75.6 million resulting in basic and diluted earnings per share of $0.31 due largely to the gain on the initial monetization of our CyrusOne equity method investment.

On January 24, 2013, we completed the initial public offering ("IPO") of CyrusOne, our former Data Center Colocation segment. As of the date of the IPO, we owned approximately 1.9 million shares, or 8.6%, of CyrusOne's common stock and were limited partners in CyrusOne LP, owning approximately 42.6 million, or 66% of its partnership units. We effectively owned 69% of CyrusOne and continued to have significant influence over the entity, but we did not control its operations. Therefore, effective with the completion of the IPO, we no longer include the accounts of CyrusOne in our consolidated financial statements, but account for our ownership in CyrusOne as an equity method investment.

Commencing January 17, 2014, we are permitted to 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 restricted the volume of shares we are permitted to sell. The registration statement filed by CyrusOne on March 24, 2014 became effective on April 4, 2014 and eliminated all prior limitations restricting the volume of shares we are allowed to sell.

On June 25, 2014, we consummated the sale of 16.0 million partnership units of CyrusOne LP to CyrusOne, Inc. at a price of $22.26 per unit. The sale generated proceeds of $355.9 million and resulted in a gain of $192.8 million. As of December 31, 2014, we effectively own 44% of CyrusOne, which is held in the form of 1.9 million shares of CyrusOne common stock and 26.6 million CyrusOne LP partnership units.

In the second quarter of 2014, we entered into agreements to sell our wireless spectrum licenses and certain other assets related to our wireless business. This agreement to sell our wireless spectrum license closed on September 30, 2014, for cash proceeds of $194.4 million. As a result, we derecognized the $88.2 million carrying value of the licenses previously reported as "Intangible assets, net" in the Consolidated Balance Sheets. Also on September 30, 2014, we entered into a separate agreement to use certain spectrum licenses until we no longer

provide wireless service. We recorded the fair value of the lease of the spectrum of $6.4 million, in “Prepaid expenses” in the Consolidated Balance Sheets. This fair value is considered a Level 3 measurement based on other comparable transactions. The asset is being amortized over a six month period and had a net carrying value of $3.2 million as of December 31, 2014. In addition, as we continue to use the licenses, we deferred the gain of $112.6 million related to the sale of the spectrum, which is presented in the Consolidated Balance Sheets. We plan to operate and generate cash from our wireless operations until no later than April 6, 2015. At that time, we will transfer certain leases and other assets valued at approximately $25 million to the acquiring company.

Negotiations with the Communications Workers of America (“CWA”) have been ongoing since the tentative agreement reached on August 4, 2014 was not ratified by local members of the union. We reached another tentative agreement on January 23, 2015 that is pending ratification by the local union’s members.

Consolidated Results of Operations

2014 Compared to 2013

Service revenue was $999.6 million in 2014, a decrease of $39.7 million compared to 2013. Of this decrease, $15.2 million was due to the deconsolidation of CyrusOne’s results of operations from our consolidated financial statements. Excluding the impact of CyrusOne, service revenue in 2014 decreased by $24.5 million year-over-year, primarily driven by lower Wireless service revenue of $59.4 million as the postpaid and prepaid subscriber base continues to decline as a result of the wind down of the business. This decrease was partially offset by strong demand for strategic products that resulted in an additional $12.2 million of Wireline service revenue and $22.7 million of IT Services and Hardware revenue.

Product revenue totaled $278.6 million in 2014, up 28% compared to 2013 due largely to $64.8 million higher sales of telecommunications and IT hardware. Wireline equipment sales were up $4.9 million as a result of sales generated through an agreement with Verizon Wireless to sell their products and services at our retail locations. Increased sales were partially offset by lower Wireless handset and accessory sales.

Cost of services was $454.2 million in 2014, up $23.8 million compared to 2013 due to the growth in our strategic products. Wireline and IT Services costs were up $17.3 million and $17.6 million, respectively. These increases were partially offset by Wireless cost of services which are down $6.5 million as a result of a declining subscriber base. CyrusOne cost of services was $4.6 million in 2013.

Cost of products sold was $244.9 million in 2014 up from $215.9 million in the prior year, due to a $52.6 million increase of costs from higher telecommunications and IT hardware sales. Wireline cost of products increased by $3.8 million primarily related to sales generated through an agreement with Verizon Wireless to sell their products and services at our retail locations. These increases were partially offset by lower Wireless cost of products sold equaling $27.4 million, due to lower handset and accessory sales as a result of the planned wind down of the wireless segment.

Selling, general and administrative (“SG&A”) expenses were $223.1 million in 2014, an increase of $2.3 million compared to the same period in 2013. CyrusOne SG&A expenses were $2.4 million prior to the IPO. Excluding CyrusOne, SG&A expenses increased $4.7 million compared to the prior year. Wireline and IT Services and Hardware costs were up $2.1 million and $6.9 million, respectively, to support growth in our strategic products. Wireline costs were also up due to outsourcing certain IT functions. Partially offsetting this increase was a $14.9 million decrease in Wireless SG&A expenses due primarily to cost containment efforts as we begin to wind down operations. Corporate costs were up $10.6 million from the prior year primarily as a result of an increase in stock compensation expense due to less mark to market benefit on plans indexed to changes in our stock price as well as increases in other employee related costs.

Depreciation and amortization was $231.0 million in 2014, an increase of $61.4 million compared to the prior year. The increase in depreciation expense is primarily due to reducing the useful life of our long-lived wireless assets as a result of a continued decline in our subscriber base and the agreement to sell our wireless spectrum licenses and certain other assets. Wireless depreciation and amortization expense totaled $103.4 million

in 2014, up $62.2 million compared to the prior year. Wireline depreciation and amortization increased by $3.5 million due to the expansion of our fiber-based network. IT Services and Hardware was $1.2 million higher than the prior year as a result of new assets placed in service to support growth in managed and professional service revenue. These increases were offset by a $5.2 million reduction due to the deconsolidation of CyrusOne.

Restructuring charges were $15.9 million in 2014 compared to $13.7 million in the prior year. In 2014, restructuring charges represented severance associated with employee separations, consulting fees related to a workforce optimization initiative and lease abandonments. Charges incurred in 2014 include $4.2 million of severance cost for employee separations related to the wireless segment and outsourcing certain aspects of our IT department and $13.1 million of contract termination fees related to winding down wireless operations. These charges were partially offset by a $1.4 million reduction to the lease abandonment reserve related to certain leased space being reoccupied during the third quarter of 2014. Charges incurred during the comparative periods of 2013 represented severance costs, expenses related to lease abandonments and fees associated with a workforce optimization initiative.

Transaction-related compensation was $42.6 million in 2013, of which $20.0 million was related to CyrusOne employees. In 2010, the Company's Board of Directors approved a long-term incentive program for certain members of management under which payments were 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 plan. The completion of the IPO during 2013 resulted in a qualifying transaction requiring payment of compensation to the employees covered under this plan. No such transaction-related compensation has occurred in 2014.

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 gain on sale or disposal of assets totaled $0.3 million in 2014 compared to a loss on sale or disposal of assets of $2.4 million recorded in 2013. The Wireline segment recorded gains on the sale of copper cabling that was no longer in use totaling $0.4 million and $1.1 million in 2014 and 2013, respectively. The Corporate segment recorded a loss on sale or disposal of assets of $0.1 million in 2014 partially offsetting the gain. 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.

Amortization of the deferred gain totaled $22.9 million in 2014 compared to $3.3 million in 2013. The change in the useful life of our long-lived wireless assets, excluding the spectrum licenses, resulted in the acceleration of the amortization of the deferred gain in 2014. In December 2009, the Company sold 196 wireless towers for $99.9 million in cash proceeds and leased back a portion of the space on these towers for a term of 20 years, which resulted in a deferred gain of $35.1 million.

Impairment charges totaling $12.1 million in 2014 included $7.5 million for certain construction-in-progress projects that will no longer be completed due to the wind down of the wireless business and $4.6 million for the abandonment of an internal use software project that was written off in the Wireline segment. No impairment charges were recorded in 2013.

Transaction costs of $4.4 million were incurred in 2014, up from $1.6 million incurred in 2013. In 2014, these costs primarily represent fees associated with the sale of our wireless spectrum licenses. In 2013, 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 $148.7 million in 2014 compared to $182.0 million in 2013. The decrease was primarily due to the Company amending its Corporate Credit Agreement to include a $540.0 million Tranche B Term Loan and using the proceeds to redeem all of the Company's $500.0 million 8 1/4% Senior Notes on October 15, 2013. In addition, in the third quarter of 2014, the Company redeemed $325.0 million outstanding 8 3/4% Senior Subordinated Notes due 2018 at a redemption price of 104.375%. The deconsolidation of CyrusOne in January 2013 also resulted in a $2.5 million decrease compared to the prior year.

The Company recorded a loss on extinguishment of debt totaling $19.4 million in the third quarter of 2014 related to the redemption of $325.0 million 8¾% Senior Subordinated Notes due 2018. In the fourth quarter of 2014, the Company redeemed $22.7 million of its outstanding 8⅜% Senior Notes due 2020 at par and recognized a loss on extinguishment of debt totaling $0.2 million.

Loss from CyrusOne equity method investment totaled $7.0 million in 2014, down from $10.7 million in 2013, for the Company's share of CyrusOne's net loss. In the second quarter of 2014, the Company recognized a $192.8 million gain on the sale of 16.0 million CyrusOne LP partnership units.

Income tax expense of $57.4 million in 2014 was up compared to the prior year due primarily to higher pre-tax income. In 2013, the tax benefit was a result of loss before income taxes offset by a valuation allowance provision of $10.7 million for Texas margin credits, which effective with CyrusOne's IPO, are uncertain of being realized before their expiration date.

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 uses 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 $9.1 million in 2014.

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 $430.4 million in 2013, compared to $492.2 million in 2012, which included CyrusOne cost 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 $9.8 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.

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 were 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. 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 $2.3 million in 2012.

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 and Hardware 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 IPO 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. 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 $500.0 million of 8 1⁄4% Senior Notes due 2017 at a redemption price of 104.125% using proceeds from the $540.0 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 CyrusOne IPO, 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. In 2013, income tax expense includes a valuation allowance provision of $10.7 million for Texas margin credits which, effective with CyrusOne's IPO, 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 uses 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.

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, IT Services and Hardware, Wireless 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, 2014 and 2013, we operated three business segments: Wireline, IT Services and Hardware and Wireless.

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 data transport, high-speed internet, entertainment, local voice, long distance, 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 over 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)	2014	2013	$ Change 2014 vs. 2013	% Change 2014 vs. 2013	2012	$ Change 2013 vs. 2012	% Change 2013 vs. 2012
Revenue:							
Data	$334.9	$317.8	$ 17.1	5%	$306.9	$ 10.9	4%
Voice — local service	203.5	229.1	(25.6)	(11)%	255.4	(26.3)	(10)%
Long distance and VoIP	107.3	107.2	0.1	0%	113.9	(6.7)	(6)%
Entertainment	76.0	55.2	20.8	38%	35.4	19.8	56%
Other	19.0	15.5	3.5	23%	18.9	(3.4)	(18)%
Total revenue	740.7	724.8	15.9	2%	730.5	(5.7)	(1)%
Operating costs and expenses:							
Cost of services and products	306.9	287.2	19.7	7%	283.8	3.4	1%
Selling, general and administrative	131.9	127.8	4.1	3%	125.6	2.2	2%
Depreciation and amortization	115.7	112.2	3.5	3%	106.0	6.2	6%
Restructuring (reversals) charges	(0.5)	9.1	(9.6)	n/m	3.5	5.6	n/m
Curtailment gain	—	(0.6)	0.6	n/m	—	(0.6)	n/m
Gain on sale or disposal of assets	(0.4)	(1.1)	0.7	(64)%	(1.8)	0.7	39%
Asset impairments	4.6	—	4.6	n/m	0.5	(0.5)	n/m
Total operating costs and expenses	558.2	534.6	23.6	4%	517.6	17.0	3%
Operating income	$182.5	$190.2	$ (7.7)	(4)%	$212.9	$(22.7)	(11)%
Operating margin	24.6%	26.2%		(1.6)pts	29.1%		(2.9)pts
Capital expenditures	$163.7	$162.6	$ 1.1	1%	$114.2	$ 48.4	42%
Metrics information (in thousands):							
Fioptics units passed	335.0	276.0	59.0	21%	205.0	71.0	35%
Internet subscribers							
DSL	156.2	188.5	(32.3)	(17)%	202.6	(14.1)	(7)%
Fioptics	113.7	79.9	33.8	42%	56.8	23.1	41%
Total internet subscribers	269.9	268.4	1.5	1%	259.4	9.0	3%
Fioptics video subscribers	91.4	74.2	17.2	23%	55.1	19.1	35%
Local access lines	480.6	530.7	(50.1)	(9)%	573.9	(43.2)	(8)%
Long distance lines	362.8	394.1	(31.3)	(8)%	417.9	(23.8)	(6)%

2014 Compared to 2013

Revenues

Data revenue consists of Fioptics high-speed and DSL internet access, data transport, and interconnection services. Data revenue was $334.9 million in 2014, an increase of $17.1 million compared to 2013. Strategic data revenue was $151.1 million in 2014, up $29.0 million compared to the prior year. Revenue from Fioptics high-speed internet service increased to $45.7 million in 2014, up 64% compared to the prior year. The increase is

Form 10-K

primarily due to a growing subscriber base totaling 113,700 accounts at December 31, 2014 and an increase in monthly ARPU of approximately $4.00, up 12% compared to the prior year. Strategic revenue from DSL customers subscribing to at least a10 megabit internet product totaled $6.2 million. Strategic business revenue totaled $102.7 million, including $3.5 million from Fioptics, up 9% from the prior year. Legacy data revenue was $183.8 million, a decrease of $11.9 million from the prior year. This decrease is primarily due to our business customers migrating to higher bandwidth data transport products and a 17% decline in DSL customers as a result of switching to higher speed internet products.

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 $203.5 million in 2014, down $25.6 million compared to 2013. Strategic voice service revenue was $21.0 million in 2014, up $3.1 million compared to 2013, primarily due to an increase in Fioptics voice lines, which totaled 61,000 at December 31, 2014. Legacy voice service revenue was $175.8 million in 2014, down $28.4 million compared to 2013. 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. In 2014, legacy voice service revenue also experienced increased access line churn as a result of the wind down of the wireless segment due to customers electing to discontinue their local voice service that had been bundled with their wireless subscription. Integration voice revenue totaled $6.7 million in 2014, down $0.3 million compared to the prior year.

Long distance and VoIP revenue was $107.3 million in 2014, consistent with the prior year as the growth in strategic products offset legacy declines. Strategic revenue was $58.1 million in 2014, an increase of $7.0 million compared to the prior year due largely to the growth in VoIP and private line services. Legacy revenue was $47.0 million in 2014, a decrease of $5.1 million compared to 2013 primarily due to an 8% decrease in long distance lines as both consumers and business customers are migrating to VoIP or wireless services. Integration revenue was down $1.8 million totaling $2.2 million 2014.

Entertainment revenue was $76.0 million in 2014, up $20.8 million compared to the prior year and was driven by the growth in Fioptics. The higher entertainment revenue was directly related to the 23% increase in Fioptics entertainment subscribers and the 9% increase in monthly ARPU. As of December 31, 2014, the segment had 91,400 Fioptics entertainment subscribers. The Company continues to expand its Fioptics service area due to strong consumer demand for this service.

Other revenue was $19.0 million in 2014, an increase of $3.5 million compared to the prior year. This increase was primarily the result of $5.7 million of revenue generated through an agreement to sell Verizon Wireless product and services at our retail locations. This increase was partially offset by lower revenue from wiring projects.

Costs and Expenses

Cost of services and products was $306.9 million in 2014, an increase of $19.7 million compared to 2013, primarily due to $14.1 million of additional programming costs as a result of an increase in the number of Fioptics subscribers and increased programming rates. Other costs of services and products were up $1.3 million as we prepare to accelerate our fiber investment. Operating tax expenses increased by $6.6 million due to an increase in Universal Service Fund (“USF”) taxes and property taxes. Cost of services and expenses was also up $4.3 million in 2014 due to cost associated with the agreement to sell Verizon Wireless product and services at our retail locations. These increases were partially offset by a $6.6 million decline in payroll related costs due to lower pension and post-retirement expense.

SG&A expenses were $131.9 million in 2014, an increase of $4.1 million compared to the prior year due to increased software development costs and consulting fees totaling $3.8 million related primarily to outsourcing certain IT functions. Payroll related costs were up $2.7 million due to increased commission and increased headcount to support the acceleration of our fiber investments. These increases were offset by lower advertising, bad debt and other miscellaneous expenses.

Depreciation and amortization was $115.7 million in 2014, reflecting an increase of $3.5 million compared to the prior year primarily due to assets placed in service in connection with the expansion of our fiber network.

Restructuring reversal of $0.5 million in 2014 relates to a lease abandonment reserve for vacant floors totaling $1.4 million that were reoccupied offset by severance charges recorded for outsourcing certain functions of our IT department. Restructuring charges in 2013 totaled $9.1 million including employee separation costs of $4.6 million, lease abandonment charges of $3.9 million and contract termination charges of $0.6 million.

Asset impairments of $4.6 million in 2014 relate to the abandonment of an internal use software project that was written off in the fourth quarter. No such impairments occurred in 2013.

Capital Expenditures

Capital expenditures are incurred to expand our Fioptics product suite, upgrade and increase capacity for our internet and data networks, and to maintain our wireline network. Capital expenditures totaled $163.7 million in 2014, an increase of $1.1 million compared to 2013. We invested $93.1 million in Fioptics, including $50.0 million for construction to pass 59,000 addresses, $24.3 million for installation costs and $18.8 million in other Fioptics projects primarily to increase core network capacity. As of December 31, 2014, the Company is able to provide Fioptics services to 335,000 residential and business addresses, an increase of 21% compared to 2013.

2013 Compared to 2012

Revenues

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.

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 service 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.

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.

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 a $0.9 million loss on network equipment with no resale value that was removed from service. 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.

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)	2014	2013	$ Change 2014 vs. 2013	% Change 2014 vs. 2013	2012	$ Change 2013 vs. 2012	% Change 2013 vs. 2012
Revenue:							
Telecom and IT equipment distribution	$287.7	$222.6	$65.1	29%	$204.6	$18.0	9%
Managed and professional services	145.3	121.5	23.8	20%	111.1	10.4	9%
Total revenue	433.0	344.1	88.9	26%	315.7	28.4	9%
Operating costs and expenses:							
Cost of services and products	350.0	279.8	70.2	25%	255.7	24.1	9%
Selling, general and administrative	51.5	44.6	6.9	15%	42.3	2.3	5%
Depreciation and amortization	11.7	10.5	1.2	11%	8.6	1.9	22%
Restructuring charges (reversals)	—	0.7	(0.7)	n/m	(1.2)	1.9	n/m
Total operating costs and expenses	413.2	335.6	77.6	23%	305.4	30.2	10%
Operating income	$ 19.8	$ 8.5	$11.3	n/m	$ 10.3	$ (1.8)	(17)%
Operating margin	4.6%	2.5%		2.1pts	3.3%		(0.8)pts
Capital expenditures	$ 11.9	$ 10.6	$ 1.3	12%	$ 9.0	$ 1.6	18%

2014 Compared to 2013

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 $138.7 million in 2014, up $20.6 million compared to the prior year largely as a result of higher demand for our managed services from the Company's largest customer. Integration services totaled $294.3 million, up from $226.0 million in 2013. The increase is due to increased telecom and IT equipment distribution revenue reflecting 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 capital budgets and general economic conditions. Integration managed and professional services totaled $6.6 million in 2014 compared to $3.4 million in 2013.

Costs and Expenses

Cost of services and products was $350.0 million in 2014, an increase of $70.2 million compared to 2013. The increase was largely driven by a $52.6 million increase in cost of goods sold related to higher equipment sales. Payroll and contract services costs were up $16.6 million to support the growth in managed and professional services.

SG&A expenses were $51.5 million in 2014, an increase of $6.9 million from the prior year. Employee related and contract services costs were up $4.5 million to support the growth in strategic revenue. Commissions were up $2.2 million due to increased sales.

Depreciation and amortization expense for 2014 of $11.7 million was higher than 2013 due to an increased asset base used to support the growing managed service business.

Capital Expenditures

Capital expenditures were $11.9 million in 2014 compared to $10.6 million in 2013. Capital expenditures were higher in 2014 due to increased spend on equipment to support managed service projects.

2013 Compared to 2012

Revenue

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.

Wireless

On April 6, 2014, we entered into agreements to sell our wireless spectrum licenses and certain other assets related to our wireless business, including leases to certain wireless towers and related equipment and other assets. The agreement to sell our spectrum licenses closed on September 30, 2014. Simultaneously, the agreement to use certain wireless spectrum licenses became effective. We plan to provide wireless service until no later than April 6, 2015.

(dollars in millions, except for operating metrics)	2014	2013	$ Change 2014 vs. 2013	% Change 2014 vs. 2013	2012	$ Change 2013 vs. 2012	% Change 2013 vs. 2012
Revenue:							
Postpaid service	$ 93.5	$139.1	$ (45.6)	(33)%	$174.6	$(35.5)	(20)%
Prepaid service	31.6	45.8	(14.2)	(31)%	49.9	(4.1)	(8)%
Equipment and other	7.7	16.6	(8.9)	(54)%	17.3	(0.7)	(4)%
Total revenue	132.8	201.5	(68.7)	(34)%	241.8	(40.3)	(17)%
Operating costs and expenses:							
Cost of services and products	66.2	101.4	(35.2)	(35)%	115.3	(13.9)	(12)%
Selling, general and administrative	25.4	40.3	(14.9)	(37)%	43.7	(3.4)	(8)%
Depreciation and amortization	103.4	41.2	62.2	n/m	31.9	9.3	29%
Restructuring charges	16.3	0.2	16.1	n/m	1.6	(1.4)	(88)%
Asset impairment	7.5	—	7.5	n/m	0.4	(0.4)	n/m
Transaction costs	3.2	—	3.2	n/m	—	—	n/m
Loss on sale or disposal of assets	—	3.5	(3.5)	n/m	—	3.5	n/m
Amortization of deferred gain	(22.9)	(3.3)	(19.6)	n/m	(2.3)	(1.0)	43%
Total operating costs and expenses	199.1	183.3	15.8	9%	190.6	(7.3)	(4)%
Operating (loss) income	$ (66.3)	$ 18.2	$ (84.5)	n/m	$ 51.2	$(33.0)	(64)%
Operating margin	(49.9)%	9.0%		n/m	21.2%		(12.2)pts
Capital expenditures	$ 6.5	$ 16.0	$ (9.5)	(59)%	$ 15.8	$ 0.2	1%
Metrics information:							
Postpaid ARPU*	$54.44	$51.90	$ 2.54	5%	$51.29	$ 0.61	1%
Prepaid ARPU*	$25.26	$26.08	$ (0.82)	(3)%	$28.48	$(2.40)	(8)%
Postpaid subscribers (in thousands)	43.5	197.4	(153.9)	(78)%	251.3	(53.9)	(21)%
Prepaid subscribers (in thousands)	38.9	142.3	(103.4)	(73)%	146.5	(4.2)	(3)%
Average postpaid churn	8.8%	2.6%		n/m	2.5%		0.1pts

* The Company has presented certain information regarding monthly average revenue per user ("ARPU") because the Company believes ARPU provides a useful measure of the operational performance of the wireless business. ARPU is calculated by dividing service revenue by the average subscriber base for the period.

2014 Operations

As a result of the agreements entered into and our intention to no longer operate a wireless business beyond April 6, 2015, current year results are not comparable to prior periods. In addition, effective July 1, 2014, we eliminated our lifeline program, and, in August we eliminated early termination fees allowing postpaid customers to switch wireless carriers without penalty.

The year over year decline in revenue is directly related to the accelerated decline in our subscriber base due to the planned shut down of our network prior to April 6, 2015. Despite the significant decline in postpaid subscribers, ARPU has increased from the prior year due to a higher percentage of our remaining customers using a smartphone data plan as compared to the customer mix in the prior year. During 2014, we lost 153,900 postpaid subscribers and 103,400 prepaid subscribers and we have notified our remaining subscribers to switch to

another provider prior to April 6, 2015 in order to avoid a gap in service. The loss of subscribers is consistent with our expectations, and the remaining subscriber base is expected to churn during the first quarter of 2015.

The cost of services and products decrease is largely due to significantly fewer subscribers and lower roaming charges and handset subsidies. In the fourth quarter of 2014, we entered into an agreement to lease back the spectrum license for $8.00. As the agreement does not represent fair value of the lease the Company estimated fair value and records a monthly expense to cost of services and products. As a result, we recognized $3.2 million in cost of services and products to use the spectrum licenses. SG&A expenses are down as we are aggressively identifying opportunities to minimize costs as we wind down operations. Restructuring charges of $16.3 million were incurred in 2014 and relate to $13.1 million for contract termination fees and $3.2 million for employee severance charges. Wireless also incurred $3.2 million in transaction costs related to the agreements. Additional one-time charges related to shutting down operations are expected to range between $5 and $10 million and will be reported when incurred.

The increase in depreciation and amortization expense is the result of reducing the useful life of our long-lived assets in conjunction with the agreement to sell our wireless spectrum licenses and certain other assets. The combined changes in the estimated useful life of the remaining property, plant and equipment resulted in increased depreciation expense of $62.2 million for 2014 compared to 2013.

Asset impairment charges of $7.5 million incurred in 2014 were related to the write-off of certain construction-in-progress projects that will no longer be completed due to the wind down of the business.

The amortization of the deferred gain recorded in 2014 totaled $22.9 million compared to $3.3 million recorded in 2013. The changes in the useful life of our long-lived wireless assets, excluding the spectrum licenses, resulted in the acceleration of the amortization of the deferred gain in 2014. In December 2009, the Company sold 196 wireless towers for $99.9 million in cash proceeds, and leased back a portion of the space on these towers for a term of 20 years, which resulted in a deferred gain of $35.1 million.

2013 Compared to 2012

Revenue

Postpaid service revenue was $139.1 million in 2013, a decrease of $35.5 million, or 20%, compared to the prior year. 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 $101.4 million in 2013, a decrease of $13.9 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.

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.

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.

The amortization of the deferred gain recorded in 2013 totaled $3.3 million compared to $2.3 million recorded in 2012, 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.

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.

Data Center Colocation

The Data Center Colocation segment provided enterprise customers with outsourced data center operations, including necessary redundancy, security, power, cooling, and interconnection. Upon completion of the IPO of CyrusOne on January 24, 2013, we no longer control the operations of CyrusOne and account for our investment in CyrusOne using the equity method. 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.

(dollars in millions, except for operating metrics)	2014	2013	$ Change 2014 vs. 2013	% Change 2014 vs. 2013	2012	$ Change 2013 vs. 2012	% Change 2013 vs. 2012
Revenue	$—	$15.6	$(15.6)	n/m	$221.3	$(205.7)	n/m
Operating costs and expenses:							
Cost of services	—	4.8	(4.8)	n/m	75.7	(70.9)	n/m
Selling, general and administrative	—	2.4	(2.4)	n/m	31.0	(28.6)	n/m
Depreciation and amortization	—	5.2	(5.2)	n/m	70.6	(65.4)	n/m
Restructuring charges	—	—	—	n/m	0.5	(0.5)	n/m
Gain on sale of assets	—	—	—	n/m	(0.2)	0.2	n/m
Asset impairments	—	—	—	n/m	13.3	(13.3)	n/m
Total operating costs and expenses	—	12.4	(12.4)	n/m	190.9	(178.5)	n/m
Operating income	$—	$ 3.2	$ (3.2)	n/m	$ 30.4	$ (27.2)	n/m
Operating margin		20.5%		n/m	13.7%		n/m
Capital expenditures	$—	$ 7.7	$ (7.7)	n/m	$228.2	$(220.5)	n/m

Corporate

Corporate is comprised primarily of general and administrative costs that have not been allocated to the business segments. Corporate costs totaled $20.2 million in 2014, $56.3 million in 2013, and $34.7 million in 2012.

2014 Compared to 2013

Corporate costs decreased by $36.1 million compared to the prior year, driven largely by the $42.6 million of transaction related compensation payments recorded in 2013 as a result of the successful IPO of CyrusOne. Restructuring charges were down $3.6 million in 2014 due primarily to severance and consulting fees incurred during 2013 associated with a workforce optimization initiative. The decrease was partially offset by $4.5 million in additional stock-based compensation expense as a result of changes in our stock price. Employee related costs were also up in 2014 as a result of increased healthcare, disability and insurance costs.

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 fees 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 remaining offset is primarily due to decreased headcount related costs as a result of cost-out initiatives.

Financial Condition, Liquidity, and Capital Resources

Capital Investment, Resources and Liquidity

Short-term view

Our primary source of cash is generated by operations. In 2014, 2013 and 2012, we generated $175.2 million, $78.8 million, and $212.7 million, respectively, of cash flows from operations. In 2014, we received cash proceeds totaling $355.9 million from the sale of CyrusOne partnership units and $194.4 million as a result of the completed wireless spectrum sale. Dividends of $28.4 million and $21.3 million were received from our equity method investment in CyrusOne in 2014 and 2013, respectively.

Our primary uses of cash are capital expenditures and debt service. In 2014, 2013 and 2012, capital expenditures were $182.3 million, $196.9 million, and $367.2 million, respectively. The lower capital expenditures in 2014 are primarily the result of lower Wireless capital spend as we shut-down operations combined with the deconsolidation of CyrusOne on January 24, 2013. These decreases were partially offset by increased strategic capital expenditures totaling $130.0 million in 2014. Based on the continued demand for our fiber-based products and the acceleration of our fiber investment, we expect 2015 capital expenditures to be between $270 and $280 million. In 2014, 2013 and 2012, debt repayments were $376.5 million, $530.8 million, and $442.4 million, respectively. In 2014, the company redeemed $325.0 million of the 8 3/4% Senior Subordinated Notes due 2018 and $22.7 million of the outstanding 8 3/8% Senior Notes due 2020.

Interest payments were $153.1 million, $179.5 million and $217.9 million in 2014, 2013 and 2012, respectively. The decrease is primarily due to the extinguishment of the 8 1/4% Senior Notes due 2017 on October 15, 2013, partially offset by interest on the Tranche B Term Loan facility. Our contractual debt maturities, including capital lease obligations in 2015, are $13.2 million and associated contractual interest payments are expected to be approximately $120 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 $19.7 million, $42.1 million and $23.9 million in 2014, 2013 and 2012, respectively. Contributions to our qualified pension plans for 2015 are expected to be approximately $13 million. Dividends paid on preferred stock were $10.4 million in each of 2014, 2013 and 2012. We do not currently pay dividends on our common shares, nor do we plan to pay dividends on such shares in 2015. In 2012, cash used to repurchase common shares was $0.3 million. No common shares were repurchased in 2013 or 2014. As of December 31, 2014, 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.

As of December 31, 2014, we had $298.6 million of short-term liquidity, comprised of $57.9 million of cash and cash equivalents, $150.0 million of undrawn capacity on our Corporate Credit Agreement's revolving credit facility and $90.7 million available under the Receivables Facility. The Receivables Facility permits maximum borrowings of up to $120.0 million and is subject to annual renewal. As of December 31, 2014, the Company had $19.2 million of borrowings and $6.9 million of letters of credit outstanding under the Receivables Facility on a borrowing capacity of $116.8 million. 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, 2014, the Company had $1.8 billion of outstanding indebtedness and an accumulated deficit of $3.2 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 $13.2 million in 2015, $31.9 million in 2016, $9.7 million in 2017, $308.7 million in 2018, $9.1 million in 2019 and $1,414.8 million thereafter. Effective with the sale of our wireless spectrum licenses, we expect to transfer approximately $25 million of capital leases and related liabilities to the acquirer prior to April 6, in 2015. 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 $30 million over the period from 2015 to 2018. 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, 2014, the fair value of our ownership interest in CyrusOne was $785.0 million. We intend to sell down the Company's ownership interest in CyrusOne and use the proceeds to primarily repay long-term debt to reduce our leverage ratios and for other general corporate purposes. Our amended Corporate Credit Agreement obligates us to use 85% of the proceeds towards debt repayments, subject to the terms and conditions within the amended agreement.

On November 20, 2012, the Company entered into a new Corporate Credit Agreement which provided for a $200.0 million revolving credit facility, with a sublimit of $30.0 million for letters of credit and a $25.0 million sublimit for swingline loans. In the fourth quarter of 2014, the Company amended and restated its Corporate Credit Agreement to, among other things, modify certain financial covenants governing leverage ratios and capital expenditures. Effective with the sale of our 16.0 million partnership units to CyrusOne, Inc. on June 25, 2014 for $355.9 million, the amount available under the Corporate Credit Agreement's revolving credit facility was reduced to $150.0 million. In addition, the original revolving commitments will be further reduced to $125.0 million on December 31, 2015. The Corporate Credit Agreement's revolving credit facility 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. The 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 $937.7 million in the aggregate 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, 2014, the Company was in compliance with the Corporate Credit Agreement 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, 2014:

(dollars in millions)	
Consolidated Total Leverage Ratio	5.10
Maximum ratio permitted for compliance	7.00
Consolidated Funded Indebtedness additional availability	$ 638.3
Consolidated EBITDA clearance over compliance threshold	$ 91.2

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 10, 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 because its Consolidated Total Leverage Ratio, as defined in the Corporate Credit Agreement, exceeds 3.50 to 1.00 as of December 31, 2014. 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 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 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 provides that 85% 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 includes the 8¾% Senior Subordinated Notes due 2018 and the 8⅜% Senior Notes due 2020, contains 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 as of December 31, 2014.

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 the Company exceeds 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 allows $900 million of total Corporate Credit Agreement debt (Revolver and Term Loans). We also have baskets for capital lease incurrences, borrowings against the Receivables Facility, refinancings of existing debt, and other debt incurrences. In addition, the Company's ability to make restricted payments, which include share repurchases, repayment of subordinated notes and common stock dividends, would be limited to specific allowances. As of December 31, 2014, the Company was below the 4:00 to 1:00 Consolidated Adjusted Senior Debt to EBITDA ratio, and the Company has access to the restricted payments basket which exceeded $500 million as of December 31, 2014.

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 2014 was $175.2 million, an increase of $96.4 million compared to 2013. This increase was largely driven by a decrease in pension and postretirement payments of $30.8 million and a decrease in cash interest payments of $26.4 million compared to the prior year. In addition, the increase is due to the payment of $42.6 million of transaction related compensation in 2013.

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 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 flows from investing activities

Cash flows provided by investing activities were $392.6 million in 2014, compared to cash used by investing activities of $185.4 million in 2013 and $371.8 million in 2012. The increase in 2014 compared to the prior year is primarily due to the $355.9 million of proceeds received on the sale of CyrusOne partnership units, in addition to cash proceeds totaling $194.4 million that were received on September 30, 2014 as a result of the completed wireless spectrum sale. The deconsolidation of CyrusOne in 2013 increased cash used in investing activities by $19.5 million for the period January 1, 2013 through January 23, 2013. Excluding CyrusOne, capital expenditures were down $6.9 million from the prior year largely due to a decreased investment in the wireless network. Dividends received from CyrusOne were up $7.1 million compared to the prior year.

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. As a result of the CyrusOne IPO, 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, primarily copper cable, were $2.0 million in 2014 and 2013 compared to $1.6 million in 2012. Other cash from investing activities in 2014 totaled $5.8 million as a result of two additional equity method investments.

Cash flows from financing activities

Cash flows used by financing activities were $514.5 million in 2014. Debt repayments totaling $376.5 million were primarily due to the redemption of $325.0 million 8¾% Senior Subordinated Notes due 2018 at 104.375% and the $22.7 million repayment of 8⅜% Senior Note due 2020 at par. In addition, cash proceeds from the sale of wireless spectrum were used to repay $127.0 million on the Corporate Credit Agreement's revolving credit facility and Receivables Facility.

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 $40.0 million on its Corporate Credit Agreement's revolving credit 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 $500.0 million 8 1⁄4% Senior Notes on October 15, 2013 at a redemption price of 104.125%.

Cash flows provided by financing activities were $109.0 million in 2012. During 2012, CyrusOne LP and CyrusOne Finance Corp. issued $525.0 million of 6 3⁄8% Senior Notes due 2022 and used $480.0 million of the $511.0 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 $40.0 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 fund $5.7 million of costs associated with the CyrusOne IPO.

Dividends paid on preferred stock totaled $10.4 million in 2014, 2013 and 2012.

Future Operating Trends

Wireline

For the first time since 2007, we generated year-over-year wireline revenue growth as demand for Fioptics and fiber-based products for business customers more than offset revenue declines from our legacy products. During 2014, we invested $118.1 million in our strategic wireline products and revenue from these products increased 23% totaling $310.5 million for the year.

The Company's primary strategic product for residential customers is Fioptics, which is available to 335,000 addresses or approximately 41% of Greater Cincinnati. In 2014, we invested $50.0 million to pass 59,000 thousand homes with Fioptics, and capital expenditures related to customer installation totaled $24.3 million. In addition we invested $18.8 million to enhance the user experience as well as upgrade the network core and related equipment to support increased subscriber growth. Fioptics revenue totaled $142.4 million in 2014, up 41% compared to the prior year as demand for the product remains strong. Our Fioptics high-speed internet subscribers increased by more than 40% from a year ago totaling 113,700 as of December 31, 2014. Fioptics video subscribers totaled 91,400 at year-end, up 23% from 2013. In the third quarter of 2014, we announced plans to accelerate the investment in Fioptics to capitalize on the growing demand for the product and capture market share due to the unique market opportunity resulting from the primary cable competitor in our operating territory being acquired by a competitor. During 2015, we plan to spend approximately $160 to $165 million on Fioptics and expect to pass an additional 100,000 units by year end. Our goal is to provide Fioptics to between 70%–80% of our operating territory. We also anticipate incurring increased operating expenses by approximately $15 million in 2015 to support the acceleration. In addition, Wireline will absorb approximately $25 million of costs as a result of shutting down our wireless operations.

Strategic revenue for business customers totaled $166.4 million (including $7.6 million from Fioptics), up 12% from a year ago. For our 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. In 2014 we invested $25.0 million in capital expenditures for fiber builds, which brings measurable deal driven returns from our business customers. The Company has connected approximately 5,800 business buildings with fiber-based services (also referred to as a lit building), including more than 550 multi-tenant units (MTU's) lit with fiber, expanded the fiber network to span more than 6,600 route miles, and provided cell site back-haul services to more than 70% of the 1,100 cell sites in-market, of which approximately 500 are lit with fiber. We expect to continue to light additional MTU's and towers with fiber during 2015 to address customer demand.

In 2015, we expect to invest approximately $210 to $220 million in our strategic products, and we believe the growth in our strategic product revenue will continue to more than offset the decline from our legacy products, which include local voice, DSL, long distance, and low-bandwidth data transport services. Revenue from legacy products totaled $414.3 million in 2014, down 10% compared to the prior year due to a 9% loss of access lines and an 8% loss of long distance lines as wireless substitution continues. DSL subscribers also decreased in 2014, and the trend is expected to continue as customers switch to higher speed services, such as our Fioptics product.

IT Services and Hardware

Revenue for strategic managed services and professional services was $138.7 million in 2014, up 17%, driven by higher customer demand for staffing solutions and managed telephony service offerings. We expect similar growth rates in 2015 within those same areas of the business.

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. Consequently, IT and telephony equipment sales in 2015 are somewhat dependent on the business economy and outlook in 2015.

In 2015, 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.

Wireless

On April 6, 2014, we entered into agreements to sell our wireless spectrum licenses and certain other assets related to our wireless business, including leases to certain wireless towers and related equipment and other assets. The agreement to sell our wireless spectrum licenses closed on September 30, 2014 for cash proceeds of $194.4 million. Simultaneously, a separate agreement to use certain spectrum licenses until we discontinue providing wireless service became effective. As of December 31, 2014 we maintained 82,400 wireless subscribers that we are required to migrate to other carriers. We plan to operate our wireless operations until no later than April 6, 2015, at which time we will transfer the tower leases being assumed and other assets being acquired.

Data Center Colocation

On January 24, 2013, we completed the IPO of CyrusOne, which owns and operates our former Data Center Colocation business. Commencing January 17, 2014, we were permitted to 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. On April 24, 2014, the limitations restricting the volumes of common shares we are allowed to sell terminated.

On June 25, 2014, we consummated the sale of 16.0 million operating partnership units of CyrusOne LP to CyrusOne, Inc. at a price of $22.26 per unit. The sale generated proceeds of $355.9 million and resulted in a gain of $192.8 million. Prior to the sale of our 16.0 million partnership units of CyrusOne LP, we accounted for our 68% effective ownership of CyrusOne as an equity method investment. As of December 31, 2014, we effectively own 44% of CyrusOne, which is held in the form of 1.9 million shares of CyrusOne common stock and approximately 26.6 million CyrusOne LP partnership units.

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, 2014, the Company's investment in CyrusOne was valued at $785.0 million and the Company's tax basis in CyrusOne was approximately $450 million.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2014:

(dollars in millions)	Payments due by Period				
	Total	< 1 Year	1-3 Years	3-5 Years	Thereafter
Long-term debt, excluding capital leases (1)	$1,689.3	$ 6.0	$ 30.6	$310.8	$1,341.9
Capital leases (2)	98.1	7.2	11.0	7.0	72.9
Interest payments on long-term debt, capital leases, and other financing arrangements (3)	750.0	121.2	240.5	199.1	189.2
Non-cancellable operating lease obligations	50.4	10.3	11.6	6.9	21.6
Purchase obligations (4)	178.1	157.9	20.2	—	—
Pension and postretirement benefits obligations (5)	63.3	27.5	22.4	4.1	9.3
Unrecognized tax benefits (6)	27.1	—	—	—	27.1
Other liabilities (7)	46.4	31.1	2.1	1.0	12.2
Total	$2,902.7	$361.2	$338.4	$528.9	$1,674.2

(1) Long-term debt excludes net unamortized discounts and premiums.
(2) Includes capital lease obligations and the associated asset retirement obligations primarily related to our wireless towers and vehicle fleets used in the deployment of our fiber network. Wireless tower leases and asset retirement obligations are $83.2 million of which approximately $25 million will be transferred to the acquirer of our wireless spectrum licenses no later than April 6, 2015.
(3) 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, 2014.
(4) 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.
(5) 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 2015 include approximately $12 million expected to be contributed for postretirement benefits. Although the Company expects to continue operating the plans past 2015, its contractual obligation related to postretirement obligations only extends through 2015. Amounts for 2015 through 2022 include approximately $30 million of estimated cash contributions to its qualified pension plans, with approximately $13 million expected to be contributed in 2015. 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.
(6) 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.
(7) 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, 2014. 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, 2014, 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.

Off-Balance Sheet Arrangements

Indemnifications

During the normal course of business, the Company makes certain indemnities, commitments, and guarantees under which it may be required to make payments in relation to certain transactions. These include (a) intellectual property indemnities to customers in connection with the use, sale, and/or license of products and services, (b) indemnities to customers in connection with losses incurred while performing services on their premises, (c) indemnities to vendors and service providers pertaining to claims based on negligence or willful misconduct, (d) indemnities involving the representations and warranties in certain contracts, and (e) outstanding letters of credit which totaled $6.9 million as of December 31, 2014. 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 exercised 14.3 million warrants. As a result, the Company issued 4.4 million shares of common stock and received cash proceeds of $5.1 million for the 1.7 million cash settled warrants. During 2012, warrant holders exercised 3.2 million warrants, primarily on a cashless basis, and received 1.5 million shares of common stock. As of December 31, 2014 and 2013, no warrants remained unexercised or unexpired.

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 income 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.

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 three years.

Equipment revenue is recognized upon the completion of our contractual obligations, such as delivery or customer acceptance. Installation service revenue is generally recognized when installation is complete. 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. When the rebate is earned and the amount is determinable, we recognize the rebate as an offset to cost of products sold.

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.

Data Center Colocation — 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 has control over the use of the additional space or power.

Some of the 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 was 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.

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, 2014 and 2013, receivables with one large customer comprised 26% and 19%, respectively, of the Company's total accounts receivable. Our Wireline, IT Services and Hardware, and Wireless segments comprise 88%, 8%, and 4% of the allowance for uncollectible accounts receivable as of December 31, 2014, 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. A qualitative analysis was performed in 2014. In 2013, a quantitative analysis was performed. 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 2014, 2013 or 2012.

The Company adheres to the amended guidance under ASC 350-30 when testing indefinite-lived intangible 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.

Prior to September 30, 2014 Wireless owned wireless spectrum licenses which were indefinite-lived intangible assets. Effective September 30, 2014 the licenses were sold; therefore, no impairment test was performed in 2014. Simultaneous with the spectrum license sale, the company entered into agreements to use certain spectrum licenses until we are able to shut-down our wireless operations. Therefore, the deferred gain totaling $112.6 million was recorded in the Consolidated Balance Sheets as of December 31, 2014. The company plans to provide wireless service until no later than April 6, 2015.

In 2013, a quantitative approach was utilized to test these licenses for potential impairment. 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 2014, 2013 or 2012.

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 $17 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 our former Data Center Colocation segment. As a result of the analysis, management recorded an impairment loss of $13.3 million on a customer relationship intangible and certain long lived assets. In the fourth quarter of 2014, an impairment loss of $4.6 million was recorded by the Wireline segment to account for an abandoned internal use software project. In 2012, the Wireline segment recognized an impairment loss of $0.5 million on an out-of-territory fiber network that was not expected to generate sufficient future cash flows to recover the carrying value.

In 2014, 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 2014, 2013 or 2012. The gross cash flows exceeded the carrying value of this asset group by less than 10%.

During the first quarter of 2013, we changed the estimated useful lives assigned to the wireless network software which resulted in a one-time depreciation charge of $8.5 million. In the fourth quarter of 2013, during our annual asset impairment testing, we determined the estimate of our useful lives of all wireless assets should be shortened to 30 months to take into consideration the continued reduction in our subscriber base and the potential for the asset lives to be limited. In the second quarter of 2014, following the agreement to sell our wireless spectrum licenses and certain other assets, we further reduced the remaining useful life of those assets not included in the sale to be fully depreciated as of March 31, 2015. As a result of these changes in estimate, wireless depreciation and amortization expense increased by $62.2 million in 2014 compared to the prior year. In the third quarter of 2014, the Wireless segment recorded an asset impairment charge of $7.5 million related to the write-off of certain construction-in-process projects that will no longer be completed due to the wind down of the Wireless business.

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 2012, 2013, or 2014. 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 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 2011.

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 in 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 $64.4 million and $68.3 million has been recognized as of December 31, 2014 and 2013, respectively. While the valuation allowance is primarily against state, local, and foreign net operating

losses, it also includes $10.7 million of allowances against Texas margin credits, which effective with CyrusOne's IPO on January 24, 2013, are unlikely to be realized before their expiration date. In 2014 we reduced valuation allowances by $3.9 million for expiring net operating losses, state rate changes and the release of a $0.7 million federal valuation allowance on an investment in which sufficient capital gains are now available to offset any potential capital losses.

As of December 31, 2014 and 2013, the liability for unrecognized tax benefits was $27.1 million and $24.1 million, respectively. As of December 31, 2014, the amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is $26.3 million. Accrued interest related to unrecognized tax benefits is recognized in interest expense.

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 Sheets 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 Sheets.

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. No amendments to the plan were proposed in 2014.

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, 2014 and 2013, the discount rate used to value the pension plans was 3.40% and 4.20%, respectively, while the discount rate used to value the postretirement plans was 3.40% and 4.10%, respectively. Lower rates of interest available on high-quality corporate bonds drove the decrease in the discount rates in 2014.

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, 2014 and 2013, 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 12% in 2014, 16% in 2013 and 15% in 2012. 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, 2014 and 2013, the healthcare cost trend rate used to measure the postretirement health benefit obligation was 6.5%. As of December 31, 2014, the healthcare cost trend rate is assumed to decrease gradually to 4.5% by the year 2018.

The actuarial assumptions used may differ materially from actual results due to the changing market and economic conditions and other changes. Revisions to and variations from these estimates would impact assets, liabilities, equity, cash flow, costs of services and products, and selling, general and administrative expenses.

The following table represents the sensitivity of changes in certain assumptions related to the pension and postretirement plans as of December 31, 2014:

		Pension Benefits		Postretirement and Other Benefits	
(dollars in millions)	**% Point Change**	**Increase/ (Decrease) in Obligation**	**Increase/ (Decrease) in Expense**	**Increase/ (Decrease) in Obligation**	**Increase/ (Decrease) in Expense**
Discount rate	+/- 0.5%	$28.5/($28.5)	$0.9/($0.9)	$5.1/($4.6)	$0.1/($0.1)
Expected return on assets	+/- 0.5%	n/a	$1.8/($1.8)	n/a	$0.1/($0.1)
Healthcare cost trend rate	+/- 1.0%	n/a	n/a	$5.0/($4.5)	$0.2/($0.1)

At December 31, 2014 and 2013, unrecognized actuarial net losses were $332.4 million and $284.7 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, 2014 and 2013, accrued employee separation liabilities were $5.9 million and $9.7 million, respectively, resulting largely from projected headcount reductions primarily in our Wireline and Wireless segments.

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 devoted considerable attention to initiatives aimed at promoting investment in and adoption of advanced telecommunications services, particularly broadband Internet access services. In addition, more recently the FCC has been focusing on efforts it believes will promote competition, consumer protection, universal service and public safety and national security.

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.

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 has been finalized and the FCC is expecting to announce support amounts for eligible price cap carriers in early 2015. 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 distributed via a competitive bidding process. 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 a six year period. 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. CBT anticipates it will be eligible for approximately $2 million in Phase II support beginning in 2015 if it chooses to accept it.

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 require participating carriers to access the National Lifeline Accountability Database before enrolling any new Lifeline subscribers. Until July 1, 2014 both CBT and CBW participated in the Lifeline program. However, effective July 1, 2014, CBW relinquished its eligible telecommunications carrier status and withdrew from the Lifeline program. CBT remains a Lifeline provider and currently serves approximately 5,500 Lifeline customers.

During 2014 the FCC adopted two orders reforming the Schools and Libraries component of the Universal Service Fund. The first order adopted a plan for phasing out support for voice services and allotted $1 billion per year for the next two years for funding Wi-Fi and other services to provide connectivity within schools and libraries. The second order, adopted in late 2014, increased the cap on the Schools and Libraries fund to $3.9 billion per year. These decisions may result in changes in the mix of services schools and libraries purchase from the Company and will increase the USF assessment on carriers to pay for the increased funding levels. However, because the assessments are generally fully passed on to consumers, the increased assessment should be neutral for the Company.

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 Connect America Fund. The transition and recovery mechanism for originating access and transport rates has not yet been established by the FCC. The impact of these reforms for the Company will primarily fall on CBT. The impact 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.

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. Responses to the data request are due in the first quarter of 2015 and will be analyzed by the FCC. The impact of any action by the FCC in this proceeding is still uncertain and likely several years away.

IP Transition

In late 2013, the FCC opened a proceeding to explore how to transition from the legacy 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 moved to the forefront during 2014 and is likely to receive increasing prominence on the FCC's agenda over the next several years. The outcome of this examination and any regulations adopted setting parameters for how carriers must transition from TDM to IP-based networks 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. During 2014, the FCC opened a new proceeding to revise the net neutrality rules in light of the D.C. Court's decision. Although the initial proposal sought to reinstate rules using a commercially reasonable standard under authority of Section 706, it now appears that the Commission is likely to move forward in early 2015 by reclassifying broadband Internet access as a telecommunications service under Title II of the Communications Act. Although the FCC Chairman has indicated that the Commission will forbear from applying many of the Title II regulations to broadband Internet access, the potential for more onerous regulation will add uncertainty regarding the ultimate regulatory treatment of broadband Internet access if the FCC moves forward under Title II. However, in the near-term, the Company foresees little impact from the expected decision.

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. The PUCO is currently reviewing its retail rules and service standards with completion anticipated in late 2015. Depending on the PUCO's actions, additional savings and revenue opportunities may result.

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, Kentucky and Indiana 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, 2014, 2013 or 2012.

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 fulfill its obligations, which, in turn, would have a material adverse effect 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's revolving credit facility 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. 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 operates in highly competitive industries, and customers may not continue to purchase products or services, which would result in reduced revenue and loss of market share;
- 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;
- accelerating the pace of investment in our Fioptics suite of products could have a negative impact on our financial results;
- the Company may be unable to grow our revenue and cash flows despite the initiatives we have implemented;
- 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;
- 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;

- 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;
- natural disasters, terrorists acts or acts of war could cause damage to our infrastructure and result in significant disruptions to our operations;
- 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;
- 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, but effectively maintains a 44% ownership interest with a fair value of $785.0 million as of December 31, 2014;
- 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 Company's failure to remove all subscribers from the wireless network may result in a fine or a penalty adversely affecting revenues, earnings and cash flows;
- 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, 2014 and 2013, the Company held no derivative financial instruments. As of December 31, 2014 the Company had variable-rate borrowings of $533.2 million under the Tranche B Term Loan Facility, $19.2 million under the Receivables Facility, and no borrowings under the Corporate Credit Agreement's revolving credit facility. 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 $5.5 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, 2014 for our fixed and variable-rate debt, excluding capital leases and other debt, and unamortized discounts:

(dollars in millions)	2015	2016	2017	2018	2019	Thereafter	Total	Fair Value
Fixed-rate debt:	$—	$ —	$—	$300.0	$—	$835.7	$1,135.7	$1,170.3
Weighted average interest rate on fixed-rate debt	—	—	—	8.8%	—	8.0%	8.2%	—
Variable-rate debt:	$5.4	$24.6	$5.4	$ 5.4	$5.4	$506.2	$ 552.4	$ 545.8
Average interest rate on variable-rate debt	4.0%	1.4%	4.0%	4.0%	4.0%	4.0%	3.9%	—

At December 31, 2013, the carrying value and fair value of fixed-rate debt was $1,483.4 million and $1,562.5 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	64
Reports of Independent Registered Public Accounting Firm	65
Consolidated Balance Sheets	67
Consolidated Statements of Operations	68
Consolidated Statements of Comprehensive Income	69
Consolidated Statements of Shareowners' Deficit	70
Consolidated Statements of Cash Flows	71
Notes to Consolidated Financial Statements	72
Financial Statement Schedule:	
For each of the three years in the period ended December 31, 2014:	
II — Valuation and Qualifying Accounts	133

Financial statement schedules other than those listed above have been omitted because the required information is contained in the financial statements and notes thereto, or because such schedules are not required or applicable.

Form 10-K

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Cincinnati Bell Inc. and its subsidiaries (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. The Company's internal control system is designed to produce reliable financial statements in conformity with accounting principles generally accepted in the United States.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2014. 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 (2013)*. Based on this assessment, management has concluded that, as of December 31, 2014, 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 26, 2015

/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, 2014, based on criteria established in *Internal Control — Integrated Framework (2013)* 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, 2014, based on the criteria established in *Internal Control — Integrated Framework (2013)* 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, 2014 of the Company and our report dated February 26, 2015 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio
February 26, 2015

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, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, shareowners' deficit and cash flows for each of the three years in the period ended December 31, 2014. 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, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, 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, 2014, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio
February 26, 2015

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

	December 31, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	$ 57.9	$ 4.6
Receivables, less allowances of $12.4 and $12.2	159.8	145.6
Receivable from CyrusOne	7.7	9.2
Inventory, materials and supplies	25.0	23.8
Deferred income taxes	68.9	55.3
Prepaid expenses	15.3	11.0
Other current assets	2.0	1.6
Total current assets	336.6	251.1
Property, plant and equipment, net	859.5	902.8
Investment in CyrusOne	273.6	471.0
Goodwill	14.4	14.4
Intangible assets, net	1.0	91.7
Deferred income taxes	300.7	339.7
Other noncurrent assets	33.9	36.6
Total assets	$ 1,819.7	$ 2,107.3
Liabilities and Shareowners' Deficit		
Current liabilities		
Current portion of long-term debt	$ 13.2	$ 12.6
Accounts payable	135.6	89.4
Payable to CyrusOne	0.4	0.5
Unearned revenue and customer deposits	31.7	32.5
Accrued taxes	10.6	12.9
Accrued interest	22.1	31.6
Accrued payroll and benefits	37.3	38.0
Deferred gain on sale of wireless spectrum licenses	112.6	—
Other current liabilities	46.3	36.8
Total current liabilities	409.8	254.3
Long-term debt, less current portion	1,771.0	2,252.6
Pension and postretirement benefit obligations	240.1	202.7
Other noncurrent liabilities	47.3	74.4
Total liabilities	2,468.2	2,784.0
Shareowners' deficit		
Preferred stock, 2,357,299 shares authorized; 155,250 shares (3,105,000 depositary shares) of 6¾% Cumulative Convertible Preferred Stock issued and outstanding at December 31, 2014 and 2013; liquidation preference $1,000 per share ($50 per depositary share)	129.4	129.4
Common shares, $.01 par value; 480,000,000 shares authorized; 209,571,138 and 208,656,995 shares issued; 209,296,068 and 208,165,275 shares outstanding at December 31, 2014 and 2013	2.1	2.1
Additional paid-in capital	2,582.9	2,590.6
Accumulated deficit	(3,187.9)	(3,263.5)
Accumulated other comprehensive loss	(173.9)	(133.3)
Common shares in treasury, at cost	(1.1)	(2.0)
Total shareowners' deficit	(648.5)	(676.7)
Total liabilities and shareowners' deficit	$ 1,819.7	$ 2,107.3

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,		
	2014	2013	2012
Revenue			
Services	$ 999.6	$1,039.3	$1,272.8
Products	278.6	217.6	201.1
Total revenue	1,278.2	1,256.9	1,473.9
Costs and expenses			
Cost of services, excluding items below	454.2	430.4	492.2
Cost of products sold, excluding items below	244.9	215.9	204.7
Selling, general and administrative	223.1	220.8	269.5
Depreciation and amortization	231.0	169.6	217.4
Restructuring charges	15.9	13.7	3.4
Transaction-related compensation	—	42.6	—
Curtailment gain	—	(0.6)	—
(Gain) loss on sale or disposal of assets, net	(0.3)	2.4	(1.6)
Amortization of deferred gain	(22.9)	(3.3)	(2.3)
Impairment of assets	12.1	—	14.2
Transaction costs	4.4	1.6	6.3
Total operating costs and expenses	1,162.4	1,093.1	1,203.8
Operating income	115.8	163.8	270.1
Interest expense	148.7	182.0	218.9
Loss on extinguishment of debt	19.6	29.6	13.6
Loss from CyrusOne equity method investment	7.0	10.7	—
Gain on sale of CyrusOne equity method investment	(192.8)	—	—
Other expense (income), net	0.3	(1.3)	1.7
Income (loss) before income taxes	133.0	(57.2)	35.9
Income tax expense (benefit)	57.4	(2.5)	24.7
Net income (loss)	75.6	(54.7)	11.2
Preferred stock dividends	10.4	10.4	10.4
Net income (loss) applicable to common shareowners	$ 65.2	$ (65.1)	$ 0.8
Basic and diluted earnings (loss) per common share	$ 0.31	$ (0.32)	$ 0.00
Weighted-average common shares outstanding (millions)			
Basic	208.5	205.9	197.0
Diluted	209.6	205.9	204.7

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

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

	Year Ended December 31,		
	2014	2013	2012
Net income (loss)	$ 75.6	$(54.7)	$11.2
Other comprehensive (loss) income , net of tax:			
Foreign currency translation loss	(0.1)	(0.1)	—
Defined benefit plans:			
Net (loss) gain arising from remeasurement during the period, net of tax of ($25.0), $30.7, ($5.1)	(45.4)	56.8	(9.2)
Net prior service credit, net of tax of $6.1	—	11.3	—
Amortization of prior service benefits included in net income (loss), net of tax of ($5.4), ($5.2), ($4.8)	(9.8)	(8.7)	(8.3)
Amortization of net actuarial loss included in net income (loss), net of tax of $8.0, $10.1, $9.5	14.7	17.5	16.7
Reclassification adjustment for curtailment gain included in net income (loss), net of tax of ($0.2)	—	(0.4)	—
Total other comprehensive (loss) income, net of tax	(40.6)	76.4	(0.8)
Total comprehensive income	$ 35.0	$ 21.7	$10.4

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

Form 10-K

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, 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
Repurchase and 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)
Net income	—	—	—	—	—	75.6	—	—	—	75.6
Other comprehensive loss	—	—	—	—	—	—	(40.6)	—	—	(40.6)
Shares issued under employee plans	—	—	1.1	—	1.4	—	—	—	—	1.4
Shares purchased under employee plans and other	—	—	(0.2)	—	(2.0)	—	—	0.2	0.9	(1.1)
Stock-based compensation	—	—	—	—	3.3	—	—	—	—	3.3
Dividends on preferred stock	—	—	—	—	(10.4)	—	—	—	—	(10.4)
Balance at December 31, 2014	3.1	$129.4	209.6	$2.1	$2,582.9	$(3,187.9)	$(173.9)	(0.3)	$(1.1)	$(648.5)

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,		
	2014	2013	2012
Cash flows from operating activities			
Net income (loss)	$ 75.6	$ (54.7)	$ 11.2
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	231.0	169.6	217.4
Loss on extinguishment of debt	19.6	29.6	13.6
Loss from CyrusOne equity method investment	7.0	10.7	—
Gain on sale of CyrusOne equity method investment	(192.8)	—	—
(Gain) loss on sale of assets	(0.3)	2.4	(1.6)
Impairment of assets	12.1	—	14.2
Provision for loss on receivables	10.4	11.3	13.9
Noncash portion of interest expense	6.2	7.5	7.8
Deferred income tax expense, including valuation allowance change	47.4	(2.7)	21.6
Pension and other postretirement payments in excess of expense	(25.7)	(49.7)	(28.4)
Amortization of deferred gain	(22.9)	(3.3)	(2.3)
Stock-based compensation	3.3	4.9	5.2
Excess tax benefit for share based payments	(0.1)	(0.5)	(2.4)
Other, net	3.9	(3.4)	0.9
Changes in operating assets and liabilities, net of effects of divestitures:			
(Increase) decrease in receivables	(23.7)	0.5	(33.6)
Increase in inventory, materials, supplies, prepaid expenses and other current assets	(7.2)	(0.8)	(14.5)
Increase (decrease) in accounts payable	38.7	(17.7)	(6.9)
Decrease in accrued and other current liabilities	(0.8)	(18.1)	(10.0)
Decrease in other noncurrent assets	0.7	0.8	4.6
(Decrease) increase in other noncurrent liabilities	(7.2)	(7.6)	2.0
Net cash provided by operating activities	175.2	78.8	212.7
Cash flows from investing activities			
Capital expenditures	(182.3)	(196.9)	(367.2)
Proceeds from sale of CyrusOne equity method investment	355.9	—	—
Dividends received from CyrusOne	28.4	21.3	—
Proceeds from sale of Wireless spectrum licenses	194.4	—	—
Proceeds from sale of assets	2.0	2.0	1.6
Increase in restricted cash	—	—	(11.1)
Release of restricted cash	—	0.4	4.9
Cash divested from deconsolidation of CyrusOne	—	(12.2)	—
Other, net	(5.8)	—	—
Net cash provided by (used in) investing activities	392.6	(185.4)	(371.8)
Cash flows from financing activities			
Proceeds from issuance of long-term debt	—	536.0	525.0
Net (decrease) increase in corporate credit and receivables facilities with initial maturities less than 90 days	(127.0)	94.2	52.0
Repayment of debt	(376.5)	(530.8)	(442.4)
Debt issuance costs	(0.9)	(6.7)	(20.9)
Dividends paid on preferred stock	(10.4)	(10.4)	(10.4)
CyrusOne stock issuance costs	—	—	(5.7)
Common stock repurchase	—	—	(0.3)
Proceeds from exercise of options and warrants	1.3	7.1	12.1
Excess tax benefit for share based payments	0.1	0.5	2.4
Financing obligations and other, net	(1.1)	(2.3)	(2.8)
Net cash (used in) provided by financing activities	(514.5)	87.6	109.0
Net increase (decrease) in cash and cash equivalents	53.3	(19.0)	(50.1)
Cash and cash equivalents at beginning of year	4.6	23.6	73.7
Cash and cash equivalents at end of year	$ 57.9	$ 4.6	$ 23.6

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, 2014, the Company managed its business by product and service offerings in three segments: Wireline, IT Services and Hardware, and Wireless. On January 24, 2013, we completed the initial public offering ("IPO") of CyrusOne Inc. ("CyrusOne"), which owns and operates our former Data Center Colocation business. CyrusOne conducts its data center business through CyrusOne LP, an operating partnership. Effective with the IPO, we retained ownership of approximately 1.9 million shares, or 8.6%, of CyrusOne's common stock and were a limited partner in CyrusOne LP, owning approximately 42.6 million, or 66%, of its partnership units. We effectively owned 69% of CyrusOne and continued to have significant influence over the entity, but we did not control its operations. Therefore, effective January 24, 2013, we no longer include the accounts of CyrusOne in our consolidated financial statements, but account for our ownership in CyrusOne as an equity method investment.

On June 25, 2014, we consummated the sale of 16.0 million partnership units of CyrusOne LP to CyrusOne, Inc. at a price of $22.26 per unit. As of December 31, 2014, we effectively own 44% of CyrusOne, which is held in the form of 1.9 million shares of CyrusOne common stock and approximately 26.6 million CyrusOne LP partnership units. We continue to account for our investment in CyrusOne using the equity method.

In the second quarter of 2014, we entered into agreements to sell our wireless spectrum licenses and certain other assets related to our wireless business. This agreement to sell our wireless spectrum license closed on September 30, 2014, for cash proceeds of $194.4 million. As a result, we derecognized the $88.2 million carrying value of the licenses previously reported as "Intangible assets, net" in the Consolidated Balance Sheets. Also on September 30, 2014, we entered into a separate agreement to use certain spectrum licenses for $8.00 until we no longer provide wireless service. We recorded the fair value of the leased spectrum of $6.4 million in "Prepaid expenses" in the Consolidated Balance Sheets. This fair value is considered a Level 3 measurement based on other comparable transactions. The asset is being amortized over a six month period and had a net carrying value of $3.2 million as of December 31, 2014. In addition, as we continue to use the licenses, we deferred the gain of $112.6 million related to the sale of the spectrum. We plan to operate and generate cash from our wireless operations until no later than April 6, 2015. At that time, we will transfer certain leases and other assets to the acquiring company valued at approximately $25 million.

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, 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. 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.

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 makes up 26% and 19% of the outstanding accounts receivable balance at December 31, 2014 and 2013, respectively. Unbilled receivables arise from services rendered but not yet billed. As of December 31, 2014 and 2013, unbilled receivables totaled $15.6 million and $23.2 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 wireline network components, various telephony and IT equipment to be sold to customers, wireless handsets to support our agreement with Verizon Wireless to sell their products and services in our retail stores, maintenance inventories, and other materials and supplies, which are carried at the lower of average cost or market. As of December 31, 2013, the Wireless segment maintained handsets to support the wireless business.

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. 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. Prior to completing the sale of our wireless spectrum licenses, Federal Communications Commission ("FCC") licenses for wireless spectrum represented indefinite-lived intangible assets and were renewed annually for a nominal fee based on meeting service and geographic coverage requirements.

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.

Equity Method Investments — Effective January 24, 2013, the completion date of CyrusOne's IPO, 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, 2014 and December 31, 2013, the Company received cash dividends from CyrusOne totaling $28.4 million and $21.3 million, respectively. Dividends from CyrusOne are recognized as a reduction of our investment.

During 2014, we invested a total of $5.5 million in other entities, which are accounted for as equity method investments and the carrying value has been recorded within "Other noncurrent assets" in the Consolidated Balance Sheets. The Company's proportionate share of the investments' net loss had a minimal impact on our Consolidated Statement of Operations.

Our equity method investments are tested for impairment on an annual basis or when events or changes in circumstances indicate that such assets may be impaired.

Cost Method Investments — Certain of our cost method investments do not have readily determinable fair values. The carrying value of these investments was $2.9 million and $2.5 million as of December 31, 2014 and 2013, 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. 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.

The Company has sales with one large customer that contributed 14% to consolidated revenue in 2014. The same customer had receivables of 26% and 19% of the outstanding accounts receivable balance as of December 31, 2014 and 2013, respectively.

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.

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

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.

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.

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 $8.9 million, $12.2 million, and $16.6 million in 2014, 2013, and 2012, respectively.

Legal Expenses — In the normal course of business, the Company is involved in various claims and legal proceedings. Legal costs incurred in connection with loss contingencies are expensed as incurred. Legal claim accruals are recorded once determined to be both probable and estimable.

Income, Operating, and Regulatory Taxes

Income taxes — The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction as well as various foreign, state and local jurisdictions. The provision for income taxes is based upon income in the consolidated financial statements, rather than amounts reported on the income tax return. The income tax provision consists of an amount for taxes currently payable and an amount for tax consequences deferred to future periods. Deferred investment tax credits are amortized as a reduction of the provision for income taxes over the estimated useful lives of the related property, plant and equipment. Deferred income taxes are provided for temporary differences between financial statement and income tax assets and liabilities. Deferred income taxes are recalculated annually at rates then in effect. Valuation allowances are recorded to reduce deferred tax

assets to amounts that are more likely than not to be realized. The ultimate realization of the deferred income tax assets depends upon the ability to generate future taxable income during the periods in which basis differences and other deductions become deductible and prior to the expiration of the net operating loss carryforwards.

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

Operating taxes — Certain operating taxes such as property, sales, use, and gross receipts taxes are reported as expenses in operating income primarily within cost of services. These taxes are not included in income tax expense because the amounts to be paid are not dependent on our level of income. Liabilities for audit exposures are established based on management's assessment of the probability of payment. The provision for such liabilities is recognized as 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 2014, 2013, and 2012 were $17.9 million, $18.9 million, and $22.2 million, respectively. The amounts expensed for 2014, 2013, and 2012 were $19.6 million, $19.2 million, and $24.4 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 and non-employee directors. 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 ("ASU") 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 went into effect for annual and interim periods beginning after December 15, 2013. We adopted this new guidance beginning with our interim financial statements for the three months ended March 31, 2014. The adoption of this standard did not have a material impact on our financial statements for the year ended December 31, 2014.

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. As we adopted this new guidance beginning with our interim financial statements for the three months ended March 31, 2013, all years presented are comparable. See Note 12 for our disclosures.

In April 2014, the FASB issued ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The amendments in this update increased the threshold for a disposal to qualify as a discontinued operation and require new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. The standard will be effective for us on January 1, 2015. The adoption of this pronouncement may affect our presentation and disclosure of any future dispositions.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for us in the first quarter of the fiscal year ending December 31, 2017. The Company is currently in the process of evaluating the impact of adoption of this ASU on the company's consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern. The amendments provide guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The standard will be effective for us on January 1, 2016. The adoption of this pronouncement is not expected to have a material impact on our financial statements.

On January 9, 2015, the FASB issued ASU 2015-01, Income Statement-Extraordinary and Unusual Items. The updated standard will no longer allow for transactions that are unusual in nature and occur infrequently to be presented net-of-tax after income from continuing operations as an extraordinary item in the Consolidated Statements of Operations. Under the new guidance, these transactions will be separately presented within income from continuing operations similar to current guidance for transactions that are unusual in nature or occur infrequently. The standard will be effective for us on January 1, 2016. The adoption of this pronouncement is not expected to have a material impact on our financial statements as there are no transactions presented as an extraordinary item on the Consolidated Statements of Operations.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company's consolidated financial statements upon adoption.

3. Investment in CyrusOne

On January 24, 2013, we completed the IPO 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

Commencing January 17, 2014, we are permitted to 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 restricted the volume of shares we are permitted to sell. On April 4, 2014, the registration statement filed by CyrusOne on March 24, 2014 became effective and eliminated all prior limitations restricting the volume of shares we are allowed to sell.

On June 25, 2014, we consummated the sale of 16.0 million operating partnership units of CyrusOne LP to CyrusOne, Inc. at a price of $22.26 per unit. The sale generated proceeds of $355.9 million and resulted in a gain of $192.8 million.

Prior to the sale of our 16.0 million partnership units of CyrusOne LP, we accounted for our 68% effective ownership of CyrusOne as an equity method investment. As of December 31, 2014, we effectively owned 44% of CyrusOne, which was held in the form of 1.9 million shares of CyrusOne common stock and approximately 26.6 million CyrusOne LP partnership units. As we continue to have significant influence over CyrusOne, we account for this investment using the equity method. For the year ended December 31, 2014, our equity method share of CyrusOne's net loss was $7.0 million. For the year ended December 31, 2013, our equity method share of CyrusOne's net loss was $10.7 million.

As of December 31, 2014, the fair value of this investment was $785.0 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)	Year Ended December 31, 2014	January 24, 2013 to December 31, 2013
Revenue	$330.9	$248.4
Operating income	40.0	28.9
Net loss	(14.5)	(15.6)

(dollars in millions)	December 31, 2014	December 31, 2013
Net investment in real estate	$1,051.4	$ 883.8
Total assets	1,586.5	1,506.8
Total liabilities	869.5	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 — We lease data center and office space from CyrusOne at certain locations in our operating territory 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 which are billed based on agreed-upon rates. These expense recoveries from CyrusOne are credited to the expense account in which they were initially recorded.

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

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

(dollars in millions)	Year Ended December 31, 2014	January 24, 2013 to December 31, 2013
Revenue:		
Services provided to CyrusOne	$ 1.7	$ 2.1
Operating costs and expenses:		
Transaction-related compensation to CyrusOne employees	$ —	$20.0
Charges for services provided by CyrusOne	9.1	8.8
Administrative services provided to CyrusOne	(0.5)	(0.6)
Total operating costs and expenses	$ 8.6	$28.2

Dividends of $28.4 million and $21.3 million were received in 2014 and 2013, respectively. In addition, on November 4, 2014, CyrusOne declared dividends of $0.21 per share payable on its common shares and CyrusOne LP partnership units. This dividend was paid on January 9, 2015 to holders of record as of December 26, 2014.

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, 2014 and 2013, the receivable for prior periods covered by this agreement amounted to $1.7 million and $1.5 million, respectively. These balances are included in Receivable from CyrusOne.

At December 31, 2014, amounts receivable from and payable to CyrusOne were as follows:

(dollars in millions)	December 31, 2014	December 31, 2013
Accounts receivable	$ 1.7	$ 2.1
Dividends receivable	6.0	7.1
Receivable from CyrusOne	$ 7.7	$ 9.2
Accounts payable	$ 0.4	$ 0.5
Payable to CyrusOne	$ 0.4	$ 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:

	Year Ended December 31,		
(in millions, except per share amounts)	2014	2013	2012
Numerator:			
Net income (loss)	$ 75.6	$ (54.7)	$ 11.2
Preferred stock dividends	10.4	10.4	10.4
Net income (loss) applicable to common shareowners — basic and diluted	$ 65.2	$ (65.1)	$ 0.8
Denominator:			
Weighted-average common shares outstanding — basic	208.5	205.9	197.0
Warrants	—	—	4.5
Stock-based compensation arrangements	1.1	—	3.2
Weighted-average common shares outstanding — diluted	209.6	205.9	204.7
Basic and diluted earnings (loss) per common share	$ 0.31	$ (0.32)	$ 0.00

For the year ended December 31, 2014, awards under the Company's stock-based compensation plans for common shares of 3.6 million were excluded from the computation of diluted EPS as their inclusion would have been anti-dilutive. 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 year ended December 31, 2012, awards under our stock-based compensation plans for common shares of 5.3 million 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, 2014	December 31, 2013	Depreciable Lives (Years)
Land and rights-of-way	$ 4.3	$ 4.3	20-Indefinite
Buildings and leasehold improvements	174.0	172.8	2-40
Network equipment	3,028.6	2,897.7	2-50
Office software, furniture, fixtures and vehicles	157.9	152.9	2-14
Construction in process	25.7	20.7	n/a
Gross value	3,390.5	3,248.4	
Accumulated depreciation	(2,531.0)	(2,345.6)	
Property, plant and equipment, net	$ 859.5	$ 902.8	

Depreciation expense on property, plant and equipment was $228.5 million, $166.0 million, and $198.8 million in 2014, 2013, and 2012, respectively. Approximately 89%, 85%, and 87% of "Depreciation," as presented in the Consolidated Statements of Operations in 2014, 2013, and 2012, 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.

During the year ended December 31, 2014, an asset impairment loss of $7.5 million was recognized for the write-off of certain construction-in-progress projects that will no longer be completed due to the wind down of wireless operations. Additionally, the Wireline segment recognized an asset impairment loss of $4.6 million for the abandonment of an internal use software project. 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. 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.

In the first quarter of 2013, and in connection with our review 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 increased basic and diluted loss per share by approximately $0.03 per share.

In conjunction with our long-lived asset analysis conducted in the fourth quarter of 2013, we reassessed the useful lives of all of our Wireless property, plant and equipment. The remaining useful lives for all Wireless property, plant, and equipment assets were 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 of 2013 had the impact of increasing basic and diluted loss per share for the year by $0.01 per share.

Following the agreement to sell our wireless spectrum licenses and certain other assets in the second quarter of 2014, we further reduced the remaining useful lives of those assets not included in the sale to be fully depreciated as of March 31, 2015. As a result of the combined changes in estimate, depreciation and amortization expense increased by $62.2 million for the year ended December 31, 2014 and reduced both basic and diluted earnings per share by approximately $0.17 per share. In addition, adjusting the useful lives of our Wireless property, plant and equipment also required that we reduce the amortization period of the deferred gain associated with the 2009 tower sale in a similar manner. Amortization of the deferred gain associated with the tower sale totaled $22.9 million in 2014, an increase of $19.6 million, with an effective impact on both basic and diluted earnings per share of approximately $0.05 per share. Amortization of deferred gain of $3.3 million and $2.3 million was recorded for the years ended December 31, 2013, and 2012, respectively.

As of December 31, 2014 and 2013, buildings and leasehold improvements, network equipment, and office software, furniture, fixtures and vehicles include $124.4 million and $126.8 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, 2014 and 2013, the gross value of goodwill was $64.7 million. Accumulated impairment losses totaling $50.3 million as of December 31, 2014 and 2013 were related to the Wireless segment. 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, 2014 and 2013 were as follows:

(dollars in millions)	Wireline	IT Services and Hardware	Wireless	Data Center Colocation	Total
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
Impairment	—	—	—	—	—
Balance as of December 31, 2014	$11.8	$2.6	$—	$ —	$ 14.4

Intangible Assets Not Subject to Amortization

As of December 31, 2014, the Company had no intangible assets not subject to amortization due to the agreement to sell our FCC wireless spectrum licenses which closed on September 30, 2014. As of December 31, 2013, intangible assets not subject to amortization consisted solely of FCC wireless spectrum licenses with a carrying value of $88.2 million.

Intangible Assets Subject to Amortization

As of December 31, 2014 and 2013, intangible assets subject to amortization consisted of customer relationships and trademarks. For the years ended December 31, 2014 and 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.

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

		December 31, 2014		December 31, 2013	
(dollars in millions)	Weighted-Average Life in Years	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships					
Wireline	10	$ 7.0	$ (6.6)	$ 7.0	(6.1)
Wireless	9	8.7	(8.6)	8.7	(8.5)
		15.7	(15.2)	15.7	(14.6)
Trademarks					
Wireless	6	6.2	(5.7)	6.2	(3.8)
		21.9	$(20.9)	$21.9	$(18.4)

Amortization expense for intangible assets subject to amortization was $2.5 million in 2014, $3.6 million in 2013, and $18.6 million in 2012. 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. In the fourth quarter of 2013, the remaining useful life for the Wireless trademark was reduced to 30 months as of December 31, 2013. Additionally, in the second quarter of 2014, following the agreement to sell our wireless spectrum licenses and certain other assets, we further reduced the remaining useful life of the Wireless trademark to be fully amortized as of March 31, 2015. The change in the useful life resulted in approximately $1 million of additional expense in 2014.

The following table presents estimated amortization expense for the assets' remaining useful lives:

(dollars in millions)	
2015	$0.8
2016	0.2

7. Debt and Other Financing Arrangements

The Company's debt consists of the following:

(dollars in millions)	December 31, 2014	December 31, 2013
Current portion of long-term debt:		
Corporate Credit Agreement — Tranche B Term Loan	$ 5.4	$ 5.4
Capital lease obligations and other debt	7.8	7.2
Current portion of long-term debt	13.2	12.6
Long-term debt, less current portion:		
Corporate Credit Agreement	—	40.0
Receivables facility	19.2	106.2
8¾% Senior Subordinated Notes due 2018	300.0	625.0
Corporate Credit Agreement — Tranche B Term Loan	527.8	533.2
8⅜% Senior Notes due 2020	661.2	683.9
7¼% Notes due 2023	40.0	40.0
Various Cincinnati Bell Telephone notes	134.5	134.5
Capital lease obligations and other debt	91.5	96.1
	1,774.2	2,258.9
Net unamortized discount	(3.2)	(6.3)
Long-term debt, less current portion	1,771.0	2,252.6
Total debt	$1,784.2	$2,265.2

Corporate Credit Agreement

Revolving Credit Facility

On November 20, 2012, the Company entered into a new credit agreement ("Corporate Credit Agreement") which provided for a $200.0 million revolving credit facility, with a sublimit of $30.0 million for letters of credit and a $25.0 million sublimit for swingline loans. Effective with the sale of our 16.0 million partnership units to CyrusOne, Inc. on June 25, 2014 for $355.9 million, the amount available under the Corporate Credit Agreement's revolving credit facility was reduced to $150.0 million. In addition, the original revolving commitments will be further reduced to $125.0 million on December 31, 2015. The Corporate Credit Agreement's revolving credit facility has a maturity date of July 15, 2017. Borrowings under the Corporate Credit Agreement's revolving credit facility 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 Corporate Credit Agreement revolving credit facility is subject to customary borrowing conditions.

Borrowings under the Corporate Credit Agreement's revolving credit facility bear interest, at the Company's election, at a rate per annum equal to (i) LIBOR plus the applicable margin or (ii) the base rate plus the applicable margin. The applicable margin 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, 2014, 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, 2014, there were no outstanding borrowings under the Corporate Credit Agreement's revolving credit facility.

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 $540.0 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 $500.0 million 8 1/4% Senior Notes due 2017 ("8 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, 2014, 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 $15.0 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, 2014. The Company may make restricted payments of $45.0 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 $35.0 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.

Effective November 5, 2014, the Company amended its Corporate Credit Agreement to, among other things, modify certain financial covenants governing leverage ratios and capital expenditures.

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, 2014, the Company had no outstanding borrowings under the Corporate Credit Agreement's revolving credit facility, leaving $150.0 million available. As of December 31, 2013, the Company had $40.0 million of outstanding borrowings under the Corporate Credit Agreement's revolving credit facility, leaving $160.0 million available.

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 $0.9 million in 2014, $1.0 million in 2013, and $1.6 million in 2012.

Accounts Receivable Securitization Facility

Cincinnati Bell Inc. and certain of its subsidiaries have an accounts receivable securitization facility ("Receivables Facility"), which permits maximum borrowings of up to $120.0 million as of December 31, 2014. 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. 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 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, 2014, the available borrowing capacity was $116.8 million.

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. On June 2, 2014, the Company executed an amendment of its Receivables Facility, which replaced, amended and added certain provisions and definitions to increase the credit availability and also extend the term to June 1, 2015.

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 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 $116.8 million at December 31, 2014, $19.2 million consisted of outstanding borrowings and $6.9 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 2014. The Company pays letter of credit fees on the securitization facility and also pays commitment fees on the total facility. These fees were $0.8 million in 2014 and $0.7 million in 2013 and 2012.

8¾% Senior Subordinated Notes due 2018

In March 2010, the Company issued $625.0 million of 8¾% Senior Subordinated Notes due 2018 ("8¾% Senior Subordinated Notes"), which are fixed rate bonds to maturity.

Interest on the 8¾% 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 8¾% 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 8¾% Senior Subordinated Notes on an unsecured senior subordinated basis, with certain immaterial exceptions. The indenture governing the 8¾% 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 8¾% 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 $35.0 million.

In the third quarter of 2014, the Company redeemed $325.0 million of its 8¾% Senior Subordinated Notes at a redemption price of 104.375%. As a result of the redemption, the Company recorded a debt extinguishment loss of $19.4 million. The Company may redeem the 8¾% Senior Subordinated Notes for a redemption price of 102.188% and 100.000% on or after March 15, 2015 and 2016, respectively.

8⅜% Senior Notes due 2020

In the fourth quarter of 2010, the Company issued $775.0 million of 8⅜% Senior Notes due 2020 ("8⅜% Senior Notes"), which are fixed rate bonds to maturity. Interest on the 8⅜% Senior Notes is payable semi-annually in cash in arrears on April 15 and October 15 of each year, commencing April 15, 2011. The 8⅜% Senior Notes are unsecured senior obligations ranking equally with all existing and future senior debt and ranking senior to all existing and future senior subordinated indebtedness and subordinated indebtedness. Each of the Company's current and future subsidiaries that is a guarantor under the Corporate Credit Agreement is also a guarantor of the 8⅜% Senior Notes on an unsecured senior basis, with certain immaterial exceptions. The indenture governing the 8⅜% Senior Notes contains covenants including but not limited to the following: limitations on dividends to shareowners and other restricted payments; dividend and other payment restrictions affecting the Company's subsidiaries such that the subsidiaries are not permitted to enter into an agreement that would limit their ability to make dividend payments to the parent; issuance of indebtedness; asset dispositions; transactions with affiliates; liens; investments; issuances and sales of capital stock of subsidiaries; and redemption of debt that is junior in right of payment. The indenture governing the 8⅜% Senior Notes provides for customary events of default, including for nonpayment at final maturity and for a default of any other existing debt instrument that exceeds $35.0 million.

In the fourth quarter of 2014, the Company redeemed $22.7 million of its outstanding 8⅜% Senior Notes due 2020 at par. As a result of the redemption, the Company recorded a debt extinguishment loss of $0.2 million. In the fourth quarter of 2012, the Company conducted a tender offer and redeemed $91.1 million of the 8⅜% Senior Notes. The Company may redeem the 8⅜% Senior Notes for a redemption price of 104.188%, 102.792%,

101.396% and 100.000% on or after October 15, 2015, 2016, 2017, and 2018, respectively. At any time prior to October 15, 2015, the Company may redeem all or part of the 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% Notes due 2023

In 1993, the Company issued $50.0 million of 7 1⁄4% Notes due 2023 ("7 1⁄4% Notes"). The 7 1⁄4% Notes rank ratably to the 8 3⁄8% Senior Notes and senior to the 8 3⁄4% Senior Subordinated Notes and the CBT Notes. The indenture related to the 7 1⁄4% 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% Notes equally and ratably with the indebtedness or obligations secured by such liens. The liens under the Corporate Credit Agreement have resulted in the debt outstanding under the 7 1⁄4% Notes being secured equally and ratably with the obligations secured under the Corporate Credit Agreement. Interest on the 7 1⁄4% Notes is payable semi-annually on June 15 and December 15. The Company may not call the 7 1⁄4% Notes prior to maturity. The indenture governing the 7 1⁄4% 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 $20.0 million.

Cincinnati Bell Telephone 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 indenture related to these CBT 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 CBT Notes equally and ratably with the indebtedness or obligations secured by such liens. 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, 2014 and 2013, 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.

Debt Maturity Schedule

The following table summarizes our annual principal maturities of debt and capital leases for the five years subsequent to December 31, 2014, and thereafter:

(dollars in millions)	Debt	Capital Leases	Total Debt
Year ended December 31,			
2015	$ 6.0	$ 7.2	$ 13.2
2016	25.1	6.8	31.9
2017	5.5	4.2	9.7
2018	305.4	3.3	308.7
2019	5.4	3.7	9.1
Thereafter	1,341.9	72.9	1,414.8
	1,689.3	98.1	1,787.4
Net unamortized discount	(3.2)	—	(3.2)
Total debt	$1,686.1	$98.1	$1,784.2

Total capital lease payments including interest are expected to be $14.0 million for 2015, $13.2 million for 2016, $10.2 million for 2017, $9.1 million for 2018, $9.2 million for 2019, and $108.2 million thereafter. Once we no longer provide wireless service, capital leases with a carrying value of approximately $25 million as of December 31, 2014 will be transferred to the company that acquired our wireless spectrum licenses. We plan to provide wireless service until no later than April 6, 2015.

Deferred Financing Costs

Deferred financing costs are costs incurred in connection with obtaining long-term financing. In 2014, deferred financing costs of $0.9 million were incurred related to amending the Corporate Credit Agreement and renewing the Receivables Facility. In 2013, deferred financing costs of $6.7 million were incurred related to amending the Corporate Credit Agreement for the issuance of the $540.0 million Tranche B Term Loan facility and amending the Receivables Facility. As of December 31, 2014 and 2013, deferred financing costs totaled $18.5 million and $26.1 million, respectively. The deconsolidation of CyrusOne in January 2013 resulted in the divestiture of $16.9 million of 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 $5.1 million in 2014, $5.9 million in 2013, and $7.2 million in 2012.

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, 2014, these ratios and limitations include a maximum consolidated total leverage ratio of 7.00, a maximum consolidated senior secured leverage ratio of 3.50, a minimum consolidated interest coverage ratio of 1.50 and a 2014 maximum capital expenditure limitation of $210.0 million. Capital expenditures are permitted subject to predetermined annual thresholds which are not to exceed $937.7 million in the aggregate over the next four years. In 2014, capital expenditures for the Company totaled $182.3 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 8¾% Senior Subordinated Notes due 2018 and 8⅜% 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 $150.0 million revolving credit facility of the Corporate Credit Agreement plus an additional $216.8 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, 6⅜% 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 $225.0 million senior secured revolving credit facility, with a sublimit of $50.0 million for letters of credit and a $30.0 million sublimit for swingline loans. Also on November 20, 2012, CyrusOne LP and CyrusOne Finance Corp. (the "Issuers") issued $525.0 million of 6⅜% Senior Notes due 2022.

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 $525.0 million of 6⅜% Senior Notes due 2022 ("CyrusOne 6⅜% Senior Notes"), capital lease obligations and other financing arrangements. In addition, the Company no longer has access to the $225.0 million CyrusOne Credit Agreement.

Extinguished Notes

In the fourth quarter of 2013, the Company redeemed all of the $500.0 million of 8¼% Senior Notes due 2017 ("8¼% Senior Notes") at a redemption price of 104.125% using proceeds from the Corporate Credit Agreement 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 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. The Company also repaid certain CBT unsecured notes, which had various final maturity dates occurring in 2023 and fixed rates ranging from 7.18% to 7.27%, with a remaining 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 and the $91.1 million redemption of the 8 3⁄8% Senior Notes due 2020.

8. Commitments and Contingencies

Operating Lease Commitments

The Company leases certain circuits, facilities, and equipment used in its operations. Operating lease expense was $14.0 million, $13.4 million, and $19.3 million in 2014, 2013, and 2012, respectively. In 2013, $0.3 million of the operating lease expense was associated with CyrusOne as it was included for the first 23 days of January prior to its IPO. In 2012, CyrusOne operating lease expense was $5.9 million. Certain facility leases and tower site leases provide for renewal options with fixed rent escalations beyond the initial lease term. Future minimum payments for certain operating leases that will be transferred to the acquirer no later than April 6, 2015, due to shutting down wireless operations, have been excluded beyond the transfer date.

At December 31, 2014, 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)	
2015	$10.3
2016	6.5
2017	5.1
2018	3.7
2019	3.2
Thereafter	21.6
Total	$50.4

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)	2014	2013
Balance, beginning of period	$ 8.5	$ 7.1
Liabilities settled	(0.2)	(0.1)
Liabilities incurred	—	0.1
Revisions to estimated cash flow	0.3	1.1
Accretion expense	0.5	0.5
Deconsolidation of CyrusOne	—	(0.2)
Balance, end of period	$ 9.1	$ 8.5

Indemnifications

During the normal course of business, the Company makes certain indemnities, commitments, and guarantees under which it may be required to make payments in relation to certain transactions. These include (a) intellectual property indemnities to customers in connection with the use, sale, and/or license of products and services, (b) indemnities to customers in connection with losses incurred while performing services on their

premises, (c) indemnities to vendors and service providers pertaining to claims based on negligence or willful misconduct of the Company, (d) indemnities involving the representations and warranties in certain contracts, and (e) outstanding letters of credit which totaled $6.9 million as of December 31, 2014. 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, 2014 or 2013.

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, 2014 and 2013, the minimum commitments for these arrangements were approximately $178 million and $117 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, 2014, cannot be reasonably determined.

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.

The CyrusOne IPO completed on January 24, 2013 was a qualifying transaction and 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.

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, 2014 and 2013, except for the Company's investment in CyrusOne and long-term debt.

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

(dollars in millions)	December 31, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Investment in CyrusOne	$ 273.6	$ 785.0	$ 471.0	$ 993.2
Long-term debt, including current portion*	1,686.1	1,717.4	2,162.7	2,248.3

* 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, 2014 and 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, 2014 and 2013, which is 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.

During 2014, the following assets were remeasured at fair value in connection with impairment tests:

(dollars in millions)	Year Ended December 31, 2014	Fair Value Measurements Using			Impairment Losses
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Property:					
Office software, furniture, fixtures, & vehicles (Wireline)	—	—	—	—	$ (4.6)
Office software, furniture, fixtures, & vehicles (Wireless)	—	—	—	—	(7.5)
Impairment of assets					$(12.1)

In 2014, certain software projects on our Wireline and Wireless segments were abandoned. These assets had no fair value, as they were no longer being used or would not be placed into service, resulting in an impairment loss of $12.1 million in 2014. Historically, management used the income approach to determine fair value of the assets, but since the assets will not be used in the future, there are no expected future earnings attributable and the entire value of the assets was impaired. This fair value measurement is considered a Level 3 measurement due to the significance of its unobservable inputs. In 2013, no assets were remeasured at fair value.

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

(dollars in millions)	Year Ended December 31, 2012	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Impairment Losses
Customer relationship intangible	2.8	—	—	2.8	(1.5)
Property:					
Leasehold improvements	2.4	—	—	2.4	(11.8)
Network equipment	0.4	—	—	0.4	(0.5)
Other	—	—	—	—	(0.4)
Impairment of assets					(14.2)

In 2012, a data center customer relationship intangible 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 in our former data center colocation segment 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, 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
Charges/(Reversals)	4.2	(1.4)	13.1	15.9
Utilizations	(8.0)	(2.7)	(0.7)	(11.4)
Balance as of December 31, 2014	$ 5.9	$ 1.9	$12.5	$ 20.3

Employee separation costs consist of severance to be paid pursuant to the Company's written severance plan. In 2014, employee separation costs included charges attributable to outsourcing a portion of our IT function, charges for the wind down of our Wireless business as well as consulting fees related to a workforce optimization initiative. During 2013, employee separation costs also included consulting fees related to a workforce optimization initiative. A voluntary termination program was offered in 2012 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. Reversals in 2014 were related to leased space that was previously reserved that was reoccupied in the third quarter. Lease payments on abandoned facilities will continue through 2015.

In 2014, contract terminations consisted of wireless contracts that will no longer be utilized once the wireless business ceases operations. Additional restructuring charges associated with the shutdown of our wireless operations will be recognized once the accounting criteria are achieved. For 2013, contract terminations consisted of amounts due to a distributor to terminate a contractual agreement. Contract terminations are expected to be paid out through 2015.

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

(dollars in millions)	Wireline	IT Services and Hardware	Wireless	Data Center Colocation	Corporate	Total
Balance as of December 31, 2011	$ 15.1	$ 2.5	$ 0.7	$ —	$ 5.7	$ 24.0
Charges	3.5	(1.2)	1.6	0.5	(1.0)	3.4
Utilizations	(10.0)	(0.8)	(0.7)	(0.5)	(1.9)	(13.9)
Balance as of December 31, 2012	$ 8.6	$ 0.5	$ 1.6	$ —	$ 2.8	$ 13.5
Charges	9.1	0.7	0.2	—	3.7	13.7
Utilizations	(7.2)	(0.4)	(0.3)	—	(3.5)	(11.4)
Balance as of December 31, 2013	$ 10.5	$ 0.8	$ 1.5	$ —	$ 3.0	$ 15.8
Charges/(Reversals)	(0.5)	—	16.3	—	0.1	15.9
Utilizations	(6.1)	(0.5)	(2.4)	—	(2.4)	(11.4)
Balance as of December 31, 2014	$ 3.9	$ 0.3	$15.4	$ —	$ 0.7	$ 20.3

At December 31, 2014 and 2013, $20.3 million and $7.8 million, respectively, of the restructuring liabilities were included in "Other current liabilities." At December 31, 2013, $8.0 million was included in "Other noncurrent liabilities."

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 $6.7 million, $6.6 million, and $6.9 million in 2014, 2013, and 2012, 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. 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 during the second quarter of 2013. 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. Effective January 1, 2012, future pension service credits were eliminated for certain non-management employees. 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.

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 8% in 2014, 10% in 2013, and 11% in 2012 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)	2014	2013	2012	2014	2013	2012
Service cost	$ 1.0	$ 2.1	$ 2.6	$ 0.3	$ 0.4	$ 0.5
Interest cost on projected benefit obligation	21.0	18.8	21.3	4.0	4.0	5.6
Expected return on plan assets	(28.1)	(25.7)	(26.1)	—	—	—
Amortization of:						
Prior service cost (benefit)	0.2	0.2	0.1	(15.4)	(14.1)	(13.2)
Actuarial loss	17.3	22.0	19.4	5.4	5.6	6.8
Curtailment gain	—	(0.6)	—	—	—	—
Pension/postretirement costs	$ 11.4	$ 16.8	$ 17.3	$ (5.7)	$ (4.1)	$ (0.3)

The following are the weighted-average assumptions used in measuring the net periodic cost of the pension and postretirement benefits:

	Pension Benefits			Postretirement and Other Benefits		
	2014	2013	2012	2014	2013	2012
Discount rate	4.20%	3.30%*	3.90%	4.10%	3.40%**	3.60%
Expected long-term rate of return	7.75%	7.75%	7.75%	—	—	—
Future compensation growth rate	—	3.00%	3.00%	—	—	—

* Discount rate used for the remeasurement of the management pension plan in May 2013 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 December 31, 2013, 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 2014	Pension Benefits 2013	Postretirement and Other Benefits 2014	Postretirement and Other Benefits 2013
Change in benefit obligation:				
Benefit obligation at January 1,	$ 523.0	$ 584.9	$101.5	$152.4
Service cost	1.0	2.1	0.3	0.4
Interest cost	21.0	18.8	4.0	4.0
Prior service credit	—	—	—	(17.4)
Actuarial loss (gain)	73.5	(38.2)	13.3	(19.6)
Benefits paid	(41.2)	(44.6)	(15.2)	(23.9)
Retiree drug subsidy received	—	—	0.5	0.5
Other	—	—	4.6	5.1
Benefit obligation at December 31,	$ 577.3	$ 523.0	$109.0	$101.5
Change in plan assets:				
Fair value of plan assets at January 1,	$ 399.3	$ 343.8	$ 11.3	$ 11.7
Actual return on plan assets	44.2	55.1	0.4	0.4
Employer contributions	22.0	45.0	14.0	22.6
Retiree drug subsidy received	—	—	0.5	0.5
Benefits paid	(41.2)	(44.6)	(15.2)	(23.9)
Fair value of plan assets at December 31,	424.3	399.3	11.0	11.3
Unfunded status	$(153.0)	$(123.7)	$ (98.0)	$ (90.2)

The following are the weighted-average assumptions used in accounting for and measuring the projected benefit obligations:

	Pension Benefits December 31, 2014	Pension Benefits December 31, 2013	Postretirement and Other Benefits December 31, 2014	Postretirement and Other Benefits December 31, 2013
Discount rate	3.40%	4.20%	3.40%	4.10%
Expected long-term rate of return	7.75%	7.75%	—	—
Future compensation growth rate	—	—	—	—

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

	December 31, 2014	December 31, 2013
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	2018	2017

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 2014	$0.2	$(0.1)
Postretirement benefit obligation at December 31, 2014	5.0	(4.5)

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)	2014	2013	2014	2013
Accrued payroll and benefits (current liability)	$ 2.2	$ 2.1	$12.0	$12.7
Pension and postretirement benefit obligations (noncurrent liability)	150.8	121.6	86.0	77.5
Total	$153.0	$123.7	$98.0	$90.2

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)	2014	2013	2014	2013
Prior service (cost) benefit, net of tax of ($0.2), ($0.3), $21.3, $26.8	$ (0.5)	$ (0.6)	$ 38.5	$ 48.4
Actuarial loss, net of tax of ($91.5), ($77.2), ($29.3), ($26.6)	(160.7)	(134.8)	(50.9)	(46.1)
Total	$(161.2)	$(135.4)	$(12.4)	$ 2.3

Amounts recognized in "Accumulated other comprehensive loss" on the Consolidated Statements of Shareowners' Deficit and the Consolidated Statements of Comprehensive Income are shown below:

	Pension Benefits		Postretirement and Other Benefits	
(dollars in millions)	2014	2013	2014	2013
Prior service cost recognized:				
Reclassification adjustments	$ 0.2	$ (0.4)	$(15.4)	$(14.1)
Prior service credit	—	—	—	17.4
Actuarial (loss) gain recognized:				
Reclassification adjustments	17.3	22.0	5.4	5.6
Actuarial (loss) gain arising during the period	(57.5)	67.5	(12.9)	20.0

The following amounts currently included in "Accumulated other comprehensive loss" are expected to be recognized in 2015 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	20.9	6.2
Total	$21.1	$ (9.2)

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 65% equity securities and 35% investment grade fixed income securities. 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, 2014 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, 2014 and 2013 by asset category are as follows:

(dollars in millions)	December 31, 2014	Quoted Prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
Mutual funds				
U.S. equity index funds	$212.3	$212.3	$—	$ —
International equity index funds	61.1	61.1	—	—
Fixed income bond funds	150.9	150.9	—	—
Group insurance contract	11.0	—	—	11.0
Total	$435.3	$424.3	$—	$11.0

(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

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 investment consists of a group insurance contract as of December 31, 2014 and 2013. The contract is valued at contract value plus accrued interest, which approximates fair value.

During the fourth quarter of 2014, the Company liquidated the real estate pooled funds within the pension plan master trust that had been categorized as Level 3 investments. The proceeds from the sale were reinvested in equity securities and investment grade fixed income securities similar to those currently held by the pension plan master trust. These new investments are classified as Level 1 investments.

The real estate pooled funds were valued at the net asset values disclosed by the fund managers, which were based on estimated fair values of the real estate investments using independent appraisal. The funds invested primarily in commercial real estate and included mortgage loans which were backed by the associated properties. The investments were sensitive to changes in commercial real estate market values. They focused on properties that returned both lease income and appreciation of the buildings' marketable value. In estimating fair value of the investments in level 3, the fund managers used independent appraisers. The generally accepted methods 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 exceeded the total cash available to honor such requests, available cash would have been pro-rated among those contract-holders eligible for withdrawals.

The Level 3 investments had the following changes in 2014 and 2013:

	Pension		Postretirement and Other Benefits	
(dollars in millions)	2014	2013	2014	2013
Balance, beginning of year	$ 30.8	$27.8	$11.3	$11.7
Realized gains, net	3.2	1.0	0.4	0.4
Unrealized gains, net	—	2.7	—	—
Purchases, sales, issuances and settlements, net	(34.0)	(0.7)	(0.7)	(0.8)
Balance, end of year	$ —	$30.8	$11.0	$11.3

Contributions to our qualified pension plans were $19.7 million in 2014, $42.1 million in 2013, and $23.9 million in 2012. Contributions to our non-qualified pension plan were $2.3 million in 2014, $2.9 million in 2013, and $2.0 million in 2012.

Based on current assumptions, management believes it will make contributions of approximately $13 million to the qualified pension plan in 2015. Contributions to non-qualified pension plans in 2015 are expected to be approximately $2 million. Management expects to make cash payments of approximately $12 million related to its postretirement health plans in 2015.

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
2015	$ 41.3	$12.6	$(0.6)
2016	41.3	11.7	(0.6)
2017	41.1	10.7	(0.5)
2018	41.0	10.0	(0.5)
2019	39.5	8.2	(0.5)
Years 2020 — 2024	182.7	33.7	(2.0)

12. Shareowners' Deficit

Common Shares

The par value of the Company's common shares is $0.01 per share. At December 31, 2014 and 2013, common shares outstanding were 209,296,068 and 208,165,275, respectively.

In 2010, the Board of Directors approved a plan for repurchase of up to $150.0 million of the Company's common shares. In 2014 and 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. As of December 31, 2014, the Company had the authority to repurchase $129.2 million of its common stock.

At December 31, 2014, treasury shares of common stock held under certain management deferred compensation arrangements were 0.3 million, with a total cost of $1.1 million. At December 31, 2013, treasury shares of common stock held under certain management deferred compensation arrangements were 0.5 million, with a total cost of $2.0 million.

Preferred Shares

The Company is authorized to issue 1,357,299 shares of voting preferred stock without par value and 1,000,000 shares of nonvoting preferred stock without par value. The Company issued 155,250 voting shares of 6¾% cumulative convertible preferred stock at stated value. These shares were subsequently deposited into a trust in which the underlying 155,250 shares are equivalent to 3,105,000 depositary shares. Shares of this preferred stock can be converted at any time at the option of the holder into common stock of the Company at a conversion rate of 1.44 shares of the Company common stock per depositary share of 6¾% convertible preferred stock. Annual dividends of $67.50 per share (or $3.3752 per depositary share) on the outstanding 6¾% convertible preferred stock are payable quarterly in arrears in cash, or in common stock in certain circumstances if cash payment is not legally permitted. The liquidation preference on the 6¾% preferred stock is $1,000 per share (or $50 per depositary share). The Company paid $10.4 million in preferred stock dividends in 2014, 2013, and 2012.

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. 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 outstanding as of December 31, 2014 and 2013.

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, 2014, 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, 2013	$(133.1)	$(0.2)	$(133.3)
Foreign currency loss	—	(0.1)	(0.1)
Remeasurement of benefit obligations	(45.4)	—	(45.4)
Reclassifications, net	4.9(a)	—	4.9
Balance as of December 31, 2014	$(173.6)	$(0.3)	$(173.9)

(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.

Form 10-K

13. Income Taxes

Income tax expense consisted of the following:

(dollars in millions)	Year Ended December 31, 2014	2013	2012
Current:			
Federal	$ 8.0	$ —	$ 1.8
State and local	1.6	—	1.6
Total current	9.6	—	3.4
Investment tax credits	(0.2)	(0.2)	(0.3)
Deferred:			
Federal	48.4	(13.0)	21.8
State and local	0.7	(3.7)	2.0
Foreign	—	0.3	(0.5)
Total deferred	49.1	(16.4)	23.3
Valuation allowance	(1.1)	14.1	(1.7)
Total	$57.4	$ (2.5)	$24.7

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

	Year Ended December 31, 2014	2013	2012
U.S. federal statutory rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal income tax	0.4	1.5	3.9
Change in valuation allowance, net of federal income tax	(3.0)	(15.8)	(2.3)
State net operating loss adjustments	2.9	2.7	3.7
Nondeductible interest expense	4.0	(11.4)	18.1
Unrecognized tax benefit changes	2.1	(2.1)	2.2
Nondeductible compensation	1.0	(2.5)	2.7
Foreign	—	(0.7)	3.5
Other differences, net	0.8	(2.3)	2.0
Effective tax rate	43.2%	4.4%	68.8%

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

(dollars in millions)	Year Ended December 31, 2014	2013	2012
Income tax (benefit) provision related to:			
Continuing operations	$ 57.4	$ (2.5)	$24.7
Accumulated other comprehensive (loss) income	(22.4)	42.1	(0.4)
Excess tax benefits on stock option exercises	(0.1)	(0.5)	(2.4)

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

(dollars in millions)	December 31, 2014	December 31, 2013
Deferred tax assets:		
Net operating loss carryforwards	$286.5	$452.3
Pension and postretirement benefits	95.5	81.9
Equity method investment in CyrusOne	64.5	41.5
Deferred gain on sale of wireless spectrum licenses	42.2	—
AMT Credit Carryforward	24.7	16.5
Other	47.4	46.7
Total deferred tax assets	560.8	638.9
Valuation allowance	(64.4)	(68.3)
Total deferred tax assets, net of valuation allowance	$496.4	$570.6
Deferred tax liabilities:		
Property, plant and equipment	$121.9	$171.8
Other	4.9	3.8
Total deferred tax liabilities	126.8	175.6
Net deferred tax assets	$369.6	$395.0

As of December 31, 2014, the Company had approximately $665.2 million of federal tax operating loss carryforwards with a deferred tax asset value of $232.8 million, alternative minimum tax credit carryforwards of $24.7 million, state tax credits of $10.8 million, and $53.7 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 in 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 was $26.3 million at December 31, 2014 and $23.5 million at December 31, 2013. Accrued interest and penalties on income tax uncertainties were immaterial as of December 31, 2014 and 2013.

A reconciliation of the unrecognized tax benefits is as follows:

(dollars in millions)	Year Ended December 31, 2014	2013	2012
Balance, beginning of year	$24.1	$22.8	$21.8
Change in tax positions for the current year	3.0	1.3	1.4
Change in tax positions for prior years	—	—	(0.4)
Balance, end of year	$27.1	$24.1	$22.8

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 2011.

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, restricted shares, and restricted stock units 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, 2014 were 1.8 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:

	2014		2013		2012	
(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,	6,128	$3.66	9,538	$4.04	14,152	$3.70
Granted *	998	3.41	595	4.75	994	3.41
Exercised	(725)	1.73	(804)	2.41	(4,854)	2.80
Forfeited	(215)	3.99	(361)	3.39	(6)	2.91
Expired	(962)	3.73	(2,840)	5.56	(748)	4.87
Outstanding at December 31,	5,224	$3.85	6,128	$3.66	9,538	$4.04
Expected to vest at December 31,	5,224	$3.85	6,128	$3.66	9,538	$4.04
Exercisable at December 31,	3,477	$3.98	5,064	$3.61	8,486	$4.13

(dollars in millions)	2014	2013	2012
Compensation expense for the year	$ 0.3	$ 0.6	$ 1.1
Tax benefit related to compensation expense	$ (0.1)	$ (0.2)	$ (0.4)
Intrinsic value of awards exercised	$ 1.5	$ 1.2	$ 10.6
Cash received from awards exercised	$ 1.3	$ 2.4	$ 5.5
Grant date fair value of awards vested	$ 0.4	$ 0.4	$ 0.5

* 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, 2014:

	Outstanding		Exercisable	
(in thousands, except per share amounts)	Shares	Weighted-Average Exercise Price Per Share	Shares	Weighted-Average Exercise Price Per Share
$1.67 to $2.91	596	$2.46	596	$2.46
$3.40 to $4.00	2,882	3.57	1,389	3.75
$4.20 to $5.31	1,746	4.80	1,492	4.80
Total	5,224	$3.85	3,477	$3.98

As of December 31, 2014, the aggregate intrinsic value for awards outstanding and exercisable was approximately $0.4 million. The weighted-average remaining contractual life for awards outstanding and exercisable is approximately five years and three years, respectively. As of December 31, 2014, there was $1.4 million of unrecognized stock compensation expense, which is expected to be recognized over a weighted-average period of approximately two years.

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

	2014	2013	2012
Expected volatility	35.5%	43.6%	43.5%
Risk-free interest rate	1.5%	0.8%	0.8%
Expected holding period (in years)	5	5	5
Expected dividends	0.0%	0.0%	0.0%
Weighted-average grant date fair value	$1.14	$1.84	$1.32

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:

	2014		2013		2012	
(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,	1,537	$3.97	1,687	$3.13	1,839	$2.90
Granted*	1,085	3.56	1,067	4.56	808	3.40
Vested	(635)	3.71	(703)	3.07	(552)	2.85
Forfeited	(241)	3.65	(514)	3.67	(408)	2.79
Non-vested at December 31,	1,746	$3.85	1,537	$3.97	1,687	$3.13
(dollars in millions)						
Compensation expense for the year	$ 1.4		$ 2.6		$ 2.7	
Tax benefit related to compensation expense	$ (0.5)		$ (1.0)		$ (1.0)	
Grant date fair value of awards vested	$ 2.3		$ 2.2		$ 1.6	

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

As of December 31, 2014, unrecognized compensation expense related to performance-based awards was $3.6 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 in 2012 and in prior years vest on the third anniversary of the grant date. Awards granted to directors in 2013 vest on the second anniversary of the grant date. Awards granted in 2014 vest on the first anniversary of the grant date.

The following table summarizes our time-based restricted award activity:

(in thousands, except per share amounts)	2014 Shares	2014 Weighted-Average Exercise Price Per Share	2013 Shares	2013 Weighted-Average Exercise Price Per Share	2012 Shares	2012 Weighted-Average Exercise Price Per Share
Non-vested at January 1,	1,044	$3.55	1,298	$3.11	872	$2.89
Granted	176	3.19	279	4.72	725	3.26
Vested	(514)	3.25	(454)	3.03	(299)	2.83
Forfeited	(22)	3.19	(79)	3.40	—	—
Non-vested at December 31,	684	$3.70	1,044	$3.55	1,298	$3.11
(dollars in millions)						
Compensation expense for the year	$ 1.6		$ 1.7		$ 1.5	
Tax benefit related to compensation expense	$ (0.6)		$ (0.6)		$ (0.6)	
Grant date fair value of awards vested	$ 1.7		$ 1.4		$ 0.8	

As of December 31, 2014, there was $0.6 million of unrecognized compensation expense related to these restricted stock awards, 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 cash-settled stock appreciation rights awards in 2012 with a grant date value of $0.8 million. 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, the weighted-average fair value per share was $1.32. 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, 2014, the amount of remaining unrecognized compensation expense for cash-settled stock appreciation rights was nominal. The aggregate intrinsic value of outstanding and exercisable awards at December 31, 2014 was $0.3 million and $0.4 million, respectively.

The Company also granted cash-payment performance awards in 2014 and 2012 with base awards of $3.6 million and $2.3 million, respectively, with the final award payment indexed to the percentage change in the Company's stock price from the date of grant. No cash-payment awards were issued in 2013. In 2014, we recorded $0.6 million of expense related to these awards, a $0.2 million benefit in 2013 and $4.4 million of expense in 2012.

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 2014. 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, 2014 and 2013, there were 0.4 million and 0.7 million common shares deferred in these plans, respectively. 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 $0.3 million in 2014, a benefit of $1.4 million in 2013, and expense of $1.8 million in 2012.

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, IT Services and Hardware, Wireless, 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, as of December 31, 2013 and 2014, we operated three business segments: Wireline, IT Services and Hardware, and Wireless. 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 data transport, high-speed internet, entertainment, local voice, long distance, VoIP, and other services. These services are primarily provided to customers in southwestern Ohio, northern Kentucky, and southeastern Indiana. Data services include Fioptics high-speed internet and DSL internet access. 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. Entertainment services are comprised of television media through our Fioptics product suite. 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. 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. Other services primarily include inside wire installation for business enterprises, rental revenue, and revenue under the agreement for selling Verizon Wireless handsets and service.

In 2014, Wireline reversed restructuring charges totaling $1.4 million related to abandoned office space that was reoccupied. This was offset by $0.9 million of restructuring charges for employee severance. Wireline also recognized restructuring charges of $9.1 million and $3.5 million in 2013 and 2012, respectively, for costs associated with employee separation, lease abandonments and contract termination costs. An asset impairment charge of $4.6 million was recorded in 2014 related to the abandonment of an internal use software project that was written off in the fourth quarter. There were no impairment charges recorded in 2013 and $0.5 million of charges in 2012.

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. IT Services and Hardware revenue increased $88.9 million from the prior year as a result of $65.1 million additional telecom and IT equipment sales in 2014. Managed and professional service revenue was also up $23.8 million in 2014 compared to the prior year.

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. In the second quarter of 2014, the Company agreed to sell its wireless spectrum licenses and certain other assets. As a result, Wireless recognized restructuring charges of $16.3 million, asset impairments of $7.5 million, and transaction costs of $3.2 million during 2014. Wireless also incurred restructuring charges of $0.2 million in 2013 and $1.6 million in 2012. In addition, the agreement to sell the spectrum licenses coincided with reducing the useful life of all long-lived assets (excluding the spectrum licenses) to 30 months as of December 31, 2013 resulting in depreciation and amortization expense increasing by $62.2 million in 2014. These changes also resulted in accelerating the amortization of deferred gain on the tower sale by $19.6 million in 2014. In 2013, Wireless recorded a $3.5 million loss on disposal of assets for equipment that had no resale market or had either been disconnected from the wireless network, abandoned or demolished.

The Data Center Colocation segment provided data center colocation services to primarily large businesses. The Data Center Colocation results for 2013 shown in the accompanying table 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 2014 and 2013, we recognized losses of $7.0 million and $10.7 million, respectively, 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, 2014 and 2013, the carrying value of our investment in CyrusOne was $273.6 million and $471.0 million, respectively, 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 asset.

In 2013, Corporate operating results include compensation expense of $42.6 million associated with awards and other transaction-related incentives associated with the IPO of CyrusOne on January 24, 2013. Other transaction costs were $1.2 million in 2014, $1.6 million in 2013, and $6.3 million in 2012. Corporate recognized restructuring charges of $0.1 million and $3.7 million in 2014 and 2013, 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, 2014	2013	2012
Revenue			
Wireline	$ 740.7	$ 724.8	$ 730.5
IT Services and Hardware	433.0	344.1	315.7
Wireless	132.8	201.5	241.8
Data Center Colocation	—	15.6	221.3
Intersegment	(28.3)	(29.1)	(35.4)
Total revenue	$1,278.2	$1,256.9	$1,473.9
Intersegment revenue			
Wireline	$ 15.6	$ 16.8	$ 19.1
IT Services and Hardware	11.0	9.6	7.6
Wireless	1.7	2.3	2.3
Data Center Colocation	—	0.4	6.4
Total intersegment revenue	$ 28.3	$ 29.1	$ 35.4
Operating income (loss)			
Wireline	$ 182.5	$ 190.2	$ 212.9
IT Services and Hardware	19.8	8.5	10.3
Wireless	(66.3)	18.2	51.2
Data Center Colocation	—	3.2	30.4
Corporate	(20.2)	(56.3)	(34.7)
Total operating income	$ 115.8	$ 163.8	$ 270.1
Expenditures for long-lived assets			
Wireline	$ 163.7	$ 162.6	$ 114.2
IT Services and Hardware	11.9	10.6	9.0
Wireless	6.5	16.0	15.8
Data Center Colocation	—	7.7	228.2
Corporate	0.2	—	—
Total expenditures for long-lived assets	$ 182.3	$ 196.9	$ 367.2
Depreciation and amortization			
Wireline	$ 115.7	$ 112.2	$ 106.0
IT Services and Hardware	11.7	10.5	8.6
Wireless	103.4	41.2	31.9
Data Center Colocation	—	5.2	70.6
Corporate	0.2	0.5	0.3
Total depreciation and amortization	$ 231.0	$ 169.6	$ 217.4

(dollars in millions)	As of December 31, 2014	2013
Assets		
Wireline	$ 832.2	$ 780.8
IT Services and Hardware	61.4	48.9
Wireless	122.7	247.5
Corporate and eliminations	803.4	1,030.1
Total assets	$1,819.7	$2,107.3

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

(dollars in millions)	Year Ended December 31, 2014	2013	2012
Service revenue			
Wireline	$714.5	$ 702.3	$ 705.0
IT Services and Hardware	161.4	138.7	130.2
Wireless	123.7	183.1	222.7
Data Center Colocation	—	15.2	214.9
Total service revenue	$999.6	$1,039.3	$1,272.8
Product revenue			
Handsets and accessories	$ 18.0	$ 21.8	$ 23.2
IT, telephony and other equipment	260.6	195.8	177.9
Total product revenue	$278.6	$ 217.6	$ 201.1

16. Supplemental Cash Flow Information

(dollars in millions)	Year Ended December 31, 2014	2013	2012
Capitalized interest expense	$ 0.8	$ 0.6	$ 2.7
Cash paid for:			
Interest	153.1	179.5	217.9
Income taxes, net of refunds	9.1	2.8	0.1
Noncash investing and financing activities:			
Investment in CyrusOne resulting from deconsolidation	—	509.7	—
Accrual of CyrusOne dividends	6.0	7.1	—
Acquisition of property by assuming debt and other financing arrangements	4.7	7.6	19.9
Acquisition of property on account	24.8	13.3	30.7
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, 2014 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, 2014 and 2013 and the Condensed Consolidating Statements of Operations and Comprehensive Income (Loss) and Cash Flows for the years ended December 31, 2014, 2013, and 2012 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, 2014				
(dollars in millions)	Parent (Guarantor)	CBT (Issuer)	Other Non-guarantors	Eliminations	Total
Revenue	$ —	$659.6	$ 673.8	$ (55.2)	$1,278.2
Operating costs and expenses	19.9	484.4	713.3	(55.2)	1,162.4
Operating (loss) income	(19.9)	175.2	(39.5)	—	115.8
Interest expense (income), net	144.0	(4.5)	9.2	—	148.7
Other expense (income), net	17.6	7.4	(190.9)	—	(165.9)
(Loss) income before equity in earnings of subsidiaries and income taxes	(181.5)	172.3	142.2	—	133.0
Income tax (benefit) expense	(55.6)	62.9	50.1	—	57.4
Equity in earnings of subsidiaries, net of tax	201.5	—	—	(201.5)	—
Net income	75.6	109.4	92.1	(201.5)	75.6
Other comprehensive loss	(40.5)	—	(0.1)	—	(40.6)
Total comprehensive income	$ 35.1	$109.4	$ 92.0	$(201.5)	$ 35.0
Net income	$ 75.6	$109.4	$ 92.1	$(201.5)	$ 75.6
Preferred stock dividends	10.4	—	—	—	10.4
Net income applicable to common shareowners	$ 65.2	$109.4	$ 92.1	$(201.5)	$ 65.2

	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)

Condensed Consolidating Statements of Operations and Comprehensive Income (Loss)

	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 Balance Sheets

	As of December 31, 2014				
(dollars in millions)	Parent (Guarantor)	CBT (Issuer)	Other Non-guarantors	Eliminations	Total
Cash and cash equivalents	$ 56.2	$ 1.0	$ 0.7	$ —	$ 57.9
Receivables, net	2.6	—	164.9	—	167.5
Other current assets	4.7	29.3	78.4	(1.2)	111.2
Total current assets	63.5	30.3	244.0	(1.2)	336.6
Property, plant and equipment, net	0.2	764.0	95.3	—	859.5
Investment in CyrusOne	—	—	273.6	—	273.6
Goodwill and intangibles, net	—	2.2	13.2	—	15.4
Investments in and advances to subsidiaries	1,066.1	236.1	244.7	(1,546.9)	—
Other noncurrent assets	294.2	4.9	190.5	(155.0)	334.6
Total assets	$1,424.0	$1,037.5	$1,061.3	$(1,703.1)	$1,819.7
Current portion of long-term debt	$ 5.4	$ 3.9	$ 3.9	$ —	$ 13.2
Accounts payable	1.0	73.2	61.8	—	136.0
Deferred gain on sale of wireless spectrum licenses	—	—	112.6	—	112.6
Other current liabilities	52.3	52.8	42.8	0.1	148.0
Total current liabilities	58.7	129.9	221.1	0.1	409.8
Long-term debt, less current portion	1,526.1	141.2	103.7	—	1,771.0
Other noncurrent liabilities	254.1	166.7	23.0	(156.4)	287.4
Intercompany payables	233.4	—	—	(233.4)	—
Total liabilities	2,072.3	437.8	347.8	(389.7)	2,468.2
Shareowners' (deficit) equity	(648.3)	599.7	713.5	(1,313.4)	(648.5)
Total liabilities and shareowners' equity (deficit)	$1,424.0	$1,037.5	$1,061.3	$(1,703.1)	$1,819.7

(dollars in millions)	Parent (Guarantor)	CBT (Issuer)	Other Non-guarantors	Eliminations	Total
	As of December 31, 2013				
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

Condensed Consolidating Statements of Cash Flows

	Year Ended December 31, 2014				
(dollars in millions)	**Parent (Guarantor)**	**CBT (Issuer)**	**Other Non-guarantors**	**Eliminations**	**Total**
Cash flows (used in) provided by operating activities	$ (56.3)	$ 228.7	$ 2.8	$ —	$ 175.2
Capital expenditures	(0.2)	(152.5)	(29.6)	—	(182.3)
Proceeds received from sale of CyrusOne	—	—	355.9	—	355.9
Dividends received from CyrusOne	—	—	28.4	—	28.4
Proceeds from sale of assets	—	0.3	196.1	—	196.4
Distributions received from subsidiaries	12.8	—	—	(12.8)	—
Funding between Parent and subsidiaries, net	—	(73.4)	(542.6)	616.0	—
Other investing activities	(0.3)	—	(5.5)	—	(5.8)
Cash flows provided by (used in) investing activities	12.3	(225.6)	2.7	603.2	392.6
Funding between Parent and subsidiaries, net	516.2	—	99.8	(616.0)	—
Distributions paid to Parent	—	—	(12.8)	12.8	—
Debt issuance costs	(0.7)	—	(0.2)	—	(0.9)
Net decrease in corporate credit and receivables facilities with initial maturities less than 90 days	(40.0)	—	(87.0)	—	(127.0)
Repayment of debt	(367.3)	(3.9)	(5.3)	—	(376.5)
Proceeds from exercise of options and warrants	1.3	—	—	—	1.3
Other financing activities	(11.4)	—	—	—	(11.4)
Cash flows provided by (used in) financing activities	98.1	(3.9)	(5.5)	(603.2)	(514.5)
Increase (decrease) in cash and cash equivalents	54.1	(0.8)	—	—	53.3
Beginning cash and cash equivalents	2.1	1.8	0.7	—	4.6
Ending cash and cash equivalents	$ 56.2	$ 1.0	$ 0.7	$ —	$ 57.9

(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

Condensed Consolidating Statements of Cash Flows

	Year Ended December 31, 2012				
(dollars in millions)	**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

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

As of December 31, 2014, the Parent Company's 8⅜% Senior Notes due 2020 and 8¾% 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 Agreement.

On September 30, 2014, the Company entered into an Amendment to the Corporate Credit Agreement giving the Company the right to provide written notice to the administrative agent on or after the closing of the sale of spectrum assets to remove any designated Wireless subsidiary as a guarantor subsidiary.

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, 2014 and 2013 and the Condensed Consolidating Statements of Operations and Comprehensive Income (Loss) and Cash Flows for the years ended December 31, 2014, 2013, and 2012 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, 2014				
(dollars in millions)	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Revenue	$ —	$ 731.9	$601.5	$ (55.2)	$1,278.2
Operating costs and expenses	19.9	766.6	431.1	(55.2)	1,162.4
Operating (loss) income	(19.9)	(34.7)	170.4	—	115.8
Interest expense (income), net	144.0	7.8	(3.1)	—	148.7
Other expense (income), net	17.6	(171.2)	(12.3)	—	(165.9)
(Loss) income before equity in earnings of subsidiaries and income taxes	(181.5)	128.7	185.8	—	133.0
Income tax (benefit) expense	(55.6)	45.4	67.6	—	57.4
Equity in earnings of subsidiaries, net of tax	201.5	—	—	(201.5)	—
Net income	75.6	83.3	118.2	(201.5)	75.6
Other comprehensive loss	(40.5)	(0.1)	—	—	(40.6)
Total comprehensive income	$ 35.1	$ 83.2	$118.2	$(201.5)	$ 35.0
Net income	$ 75.6	$ 83.3	$118.2	$(201.5)	$ 75.6
Preferred stock dividends	10.4	—	—	—	10.4
Net income applicable to common shareowners	$ 65.2	$ 83.3	$118.2	$(201.5)	$ 65.2

Form 10-K

(dollars in millions)	Year Ended December 31, 2013 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)

Condensed Consolidating Statements of Operations and Comprehensive Income (Loss)

(dollars in millions)	Year Ended December 31, 2012 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 Balance Sheets

	As of December 31, 2014				
(dollars in millions)	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Cash and cash equivalents	$ 56.2	$ 0.2	$ 1.5	$ —	$ 57.9
Receivables, net	2.6	6.1	158.8	—	167.5
Other current assets	4.7	74.6	33.1	(1.2)	111.2
Total current assets	63.5	80.9	193.4	(1.2)	336.6
Property, plant and equipment, net	0.2	94.9	764.4	—	859.5
Investment in CyrusOne	—	273.6	—	—	273.6
Goodwill and intangibles, net	—	13.2	2.2	—	15.4
Investments in and advances to subsidiaries	1,066.1	387.8	214.6	(1,668.5)	—
Other noncurrent assets	294.2	191.6	3.8	(155.0)	334.6
Total assets	$1,424.0	$1,042.0	$1,178.4	$(1,824.7)	$1,819.7
Current portion of long-term debt	$ 5.4	$ 3.9	$ 3.9	$ —	$ 13.2
Accounts payable	1.0	80.8	54.2	—	136.0
Deferred gain on sale of wireless spectrum licenses	—	112.6	—	—	112.6
Other current liabilities	52.3	46.3	49.3	0.1	148.0
Total current liabilities	58.7	243.6	107.4	0.1	409.8
Long-term debt, less current portion	1,526.1	84.5	160.4	—	1,771.0
Other noncurrent liabilities	254.1	25.7	164.0	(156.4)	287.4
Intercompany payables	233.4	—	131.9	(365.3)	—
Total liabilities	2,072.3	353.8	563.7	(521.6)	2,468.2
Shareowners' (deficit) equity	(648.3)	688.2	614.7	(1,303.1)	(648.5)
Total liabilities and shareowners' equity (deficit)	$1,424.0	$1,042.0	$1,178.4	$(1,824.7)	$1,819.7

	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

Condensed Consolidating Statements of Cash Flows

(dollars in millions)	Year Ended December 31, 2014				
	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Cash flows (used in) provided by operating activities	$ (56.3)	$ (1.4)	$ 232.9	$ —	$ 175.2
Capital expenditures	(0.2)	(29.6)	(152.5)	—	(182.3)
Proceeds received from sale of CyrusOne	—	355.9	—	—	355.9
Dividends received from CyrusOne	—	28.4	—	—	28.4
Proceeds from sale of assets	—	194.4	2.0	—	196.4
Distributions received from subsidiaries	12.8	—	—	(12.8)	—
Funding between Parent and subsidiaries, net	—	(539.3)	(78.0)	617.3	—
Other investing activities	(0.3)	(5.5)	—	—	(5.8)
Cash flows provided by (used in) investing activities	12.3	4.3	(228.5)	604.5	392.6
Funding between Parent and subsidiaries, net	516.2	—	101.1	(617.3)	—
Distributions paid to Parent	—	—	(12.8)	12.8	—
Debt issuance costs	(0.7)	—	(0.2)	—	(0.9)
Net decrease in corporate credit and receivables facilities with initial maturities less than 90 days	(40.0)	—	(87.0)	—	(127.0)
Repayment of debt	(367.3)	(3.0)	(6.2)	—	(376.5)
Proceeds from exercise of options and warrants	1.3	—	—	—	1.3
Other financing activities	(11.4)	—	—	—	(11.4)
Cash flows provided by (used in) financing activities	98.1	(3.0)	(5.1)	(604.5)	(514.5)
Increase (decrease) in cash and cash equivalents	54.1	(0.1)	(0.7)	—	53.3
Beginning cash and cash equivalents	2.1	0.3	2.2	—	4.6
Ending cash and cash equivalents	$ 56.2	$ 0.2	$ 1.5	$ —	$ 57.9

(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

Condensed Consolidating Statements of Cash Flows

(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

19. Quarterly Financial Information (Unaudited)

(dollars in millions, except per common share amounts)	2014 First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue	$322.5	$319.9	$327.5	$308.3	$1,278.2
Operating income	56.9	35.6	16.0	7.3	115.8
Net income (loss)	7.0	114.2	(27.3)	(18.3)	75.6
Basic earnings (loss) per common share	$ 0.02	$ 0.54	$ (0.14)	$ (0.10)	$ 0.31
Diluted earnings (loss) per common share	$ 0.02	$ 0.53	$ (0.14)	$ (0.10)	$ 0.31

(dollars in millions, except per common share amounts)	2013 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)

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.

In the second quarter of 2014, operating income includes a $6.4 million restructuring charge related to employee severance as well as contracts that will no longer be utilized once the wireless business ceases to exist. Net income in the second quarter of 2014 includes a $192.8 million gain on sale of our CyrusOne equity method investment.

Third quarter of 2014 operating income includes a $9.0 million restructuring charge attributable to contract termination fees on our wireless segment offset by the reversal of a Wireline lease abandonment reserve associated with leased space that was reoccupied. Operating income also includes a $7.5 million impairment charge for the write-off of certain construction-in-progress projects that will no longer be completed due to the wind down of the wireless business in addition to $3.0 million of transaction costs related to the wireless spectrum sale. Also in the third quarter, the Company redeemed $325.0 million of the outstanding 8¾% Senior Subordinated Notes due 2018 at a redemption price of 104.375%. As a result of the redemption, the Company recorded a loss on the extinguishment of debt totaling $19.4 million.

Operating income in the fourth quarter of 2014 includes an impairment charge of $4.6 million related to the abandonment of an internal use software project that was written off in the fourth quarter.

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.

In the fourth quarter of 2013, the Company redeemed all of the $500.0 million of 8¼% 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.

20. Subsequent Events

On January 22, 2015, the Company signed an agreement valued at approximately $10 million for a third party to decommission our wireless towers that are not being assumed by the acquirer. As of December 31, 2014 we had $3.3 million of asset retirement obligations included in capital lease obligations and $7.5 million included in other non-current liabilities.

Negotiations with the CWA have been ongoing since the tentative agreement reached on August 4, 2014 was not ratified by local members of the union. Both sides reached a tentative agreement on January 23, 2015 that is pending ratification by local union members.

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 2014 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 2015 Annual Meeting of Shareholders 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 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 2014 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 26, 2015 are as follows:

Name	Age	Title
Theodore H. Torbeck (a)	58	President and Chief Executive Officer
Leigh R. Fox	42	Chief Financial Officer
Thomas E. Simpson	42	Chief Technology Officer
Christopher J. Wilson	49	Vice President, General Counsel and Secretary
Joshua T. Duckworth	36	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.

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.

THOMAS E. SIMPSON, Senior Vice President and Chief Technology Officer of the Company since January 2015; Vice President and Chief Technology Officer at Cincinnati Bell Technology Solutions (CBTS) since 2014; Vice President, Research and Development at CBTS since 2010; Director, Technical Operations at CBTS since 2008.

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; 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 2015 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 2015 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 2015 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 2015 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 63.

Financial Statement Schedules

Financial Statement Schedule II — Valuation and Qualifying Accounts is included on page 133. 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 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).
(4.3)	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).
(4.4)	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).
(4.5)	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).
(4.6)	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).
(4.7)	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).

Exhibit Number	Description
(4.8)	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).
(4.9)	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).
(4.10)	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).
(4.11)	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).
(4.12)	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).
(4.13)	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).
(4.14)	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).
(4.15)	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) +	Second Amendment to Credit Agreement dated as of June 23, 2014, among Cincinnati Bell Inc., an Ohio corporation, the subsidiary guarantors party thereto, the Lenders party thereto and Bank of America, N.A.

Exhibit Number	Description
(10.5)	Third Amendment to Credit Agreement dated as of September 30, 2014, 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 30, 2014, File No. 1-8519).
(10.6)	Fourth Amendment to Credit Agreement dated as of November 5, 2014, 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 5, 2014, File No. 1-8519).
(10.7)	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).
(10.8)	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).
(10.9)	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).
(10.10)	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).
(10.11)	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).
(10.12)	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).
(10.13)	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).
(10.14)	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 of Report June 3, 2013, File No. 1-8519).
(10.15)	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 (Exhibit 10.16 to Annual Report on Form 10-K for the year ended December 31, 2013, File No. 1-8519).

Exhibit Number	Description
(10.16)	Sixth Amendment to Amended and Restated Receivables Purchase Agreement, dated as of June 2, 2014, 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 of Report June 2, 2014, File No. 1-8519).
(10.17) +	Seventh Amendment to Amended and Restated Receivables Purchase Agreement, dated as of September 30, 2014, 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.
(10.18)	License Purchase Agreement dated as of April 6, 2014 among Cincinnati Bell Wireless, LLC, an Ohio limited liability company, and Cellco Partnership, a Delaware general partnership doing business as Verizon Wireless (Exhibit 10.1 to Current Report on Form 8-K, date of Report April 7, 2014, File No. 1-8519).
(10.19)	Network Asset Purchase Agreement dated as of April 6, 2014 among Cincinnati Bell Wireless, LLC, an Ohio limited liability company, and Cellco Partnership, a Delaware general partnership doing business as Verizon Wireless (Exhibit 10.2 to Current Report on Form 8-K, date of Report April 7, 2014, File No. 1-8519).
(10.20)*	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).
(10.21)*	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).
(10.22)*	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).
(10.23)*	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).
(10.24)*	Amendment to Cincinnati Bell Management Pension Plan executed December 20, 2013 (Exhibit 10.21 to Annual Report on Form 10-K for the year ended December 31, 2013, File No. 1-8519).
(10.25)*	Amendment to Cincinnati Bell Management Pension Plan executed May 16, 2013 (Exhibit 10.22 to Annual Report on Form 10-K for the year ended December 31, 2013, File No. 1-8519).
(10.26)*	Amendment to Cincinnati Bell Management Pension Plan executed April 17, 2012 (Exhibit 10.23 to Annual Report on Form 10-K for the year ended December 31, 2013, File No. 1-8519).
(10.27)*	Amendment to Cincinnati Bell Management Pension Plan executed December 20, 2011 (Exhibit 10.24 to Annual Report on Form 10-K for the year ended December 31, 2013, File No. 1-8519).
(10.28)*	Amendment to Cincinnati Bell Pension Plan executed on December 20, 2013 (Exhibit 10.25 to Annual Report on Form 10-K for the year ended December 31, 2013, File No. 1-8519).
(10.29)*	Amendment to Cincinnati Bell Pension Plan executed on April 17, 2012 (Exhibit 10.26 to Annual Report on Form 10-K for the year ended December 31, 2013, File No. 1-8519).
(10.30)*	Amendment to Cincinnati Bell Pension Plan executed on November 29, 2011 (Exhibit 10.27 to Annual Report on Form 10-K for the year ended December 31, 2013, File No. 1-8519).
(10.31)*	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).
(10.32)*	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).

Exhibit Number	Description
(10.33)*	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).
(10.34)*	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).
(10.35)*	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).
(10.36)*	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).
(10.37)*	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).
(10.38)*	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).
(10.39)*	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).
(10.40)*	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).
(10.41)*	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).
(10.42)*	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).
(10.43)*	Amended and Restated Employment Agreement effective January 1, 2005, between Cincinnati Bell Inc. and Christopher J. Wilson (Exhibit (10)(iii)(A)(10) to Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8519).
(10.44)*	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).
(10.45)*	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).
(10.46)*	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).
(10.47)*	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).
(10.48)*	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).

Exhibit Number	Description
(10.49)*	Employment Agreement dated as of May 5, 2014 between Cincinnati Bell Inc. and Joshua T. Duckworth (Exhibit 10.1 to Current Report on Form 8-K, date of Report May 5, 2014, 2014, File No. 1-8519).
(10.50) +	Amended and Restated Employment Agreement between Cincinnati Bell Inc. and Thomas E. Simpson dated as of January 27, 2015.
(10.51) +	Amended and Restated Employment Agreement between Cincinnati Bell Inc. and Christopher J. Wilson dated as of January 1, 2015.
(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 2014	$12.2	$10.4	$ —	$10.2	$12.4
Year 2013	$13.3	$11.3	$ —	$12.4	$12.2
Year 2012	$11.6	$13.9	$ —	$12.2	$13.3
Deferred Tax Valuation Allowance					
Year 2014	$68.3	$ (1.1)	$(2.8)	$ —	$64.4
Year 2013	$56.8	$14.1	$(2.6)	$ —	$68.3
Year 2012	$58.4	$ (1.7)	$ 0.1	$ —	$56.8

Form 10-K

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: February 26, 2015	/s/ Leigh R. Fox Leigh R. Fox Chief Financial Officer
Date: February 26, 2015	/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 26, 2015
Phillip R. Cox* Phillip R. Cox	Chairman of the Board and Director	February 26, 2015
John W. Eck* John W. Eck	Director	February 26, 2015
Russel P. Mayer* Russel P. Mayer	Director	February 26, 2015
Jakki L. Haussler* Jakki L. Haussler	Director	February 26, 2015
Craig F. Maier* Craig F. Maier	Director	February 26, 2015
Alan R. Schriber* Alan R. Schriber	Director	February 26, 2015
Lynn A. Wentworth* Lynn A. Wentworth	Director	February 26, 2015
John M. Zrno* John M. Zrno	Director	February 26, 2015

*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

[THIS PAGE INTENTIONALLY LEFT BLANK]

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, 2014

☐ **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 $0.8 billion, computed by reference to the closing sale price of the common stock on the New York Stock Exchange on June 30, 2014, 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, 2015, there were 209,570,776 common shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement relating to the Company's 2015 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 26, 2015 for the fiscal year ended December 31, 2014. 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, 2014 (Successor) and 2013 (Successor) and for the years ended December 31, 2014 (Successor) and 2013 (Successor), and 2012 (Predecessor) including the periods from January 24, 2013 to December 31, 2013 (Successor) and January 1, 2013 to January 23, 2013 (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, 2014 and does not reflect events occurring after February 26, 2015 (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 63 of the 2014 Form 10-K, were filed on February 26, 2015.

2. Financial Statement Schedules

Financial Statement Schedule II—Valuation and Qualifying Accounts was included on page 133 of the 2014 Form 10-K filed on February 26, 2015. 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	7
CyrusOne Inc.	
CONSOLIDATED AND COMBINED BALANCE SHEETS	8
CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS	9
CONSOLIDATED AND COMBINED STATEMENTS OF COMPREHENSIVE INCOME	10
CONSOLIDATED AND COMBINED STATEMENTS OF EQUITY	11
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS	12
CyrusOne LP	
CONSOLIDATED AND COMBINED BALANCE SHEETS	13
CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS	14
CONSOLIDATED AND COMBINED STATEMENTS OF COMPREHENSIVE INCOME	15
CONSOLIDATED AND COMBINED STATEMENTS OF PARTNERSHIP CAPITAL	16
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS	17
CyrusOne Inc. and CyrusOne LP	
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS	18
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.
Carrollton, TX

We have audited the accompanying consolidated balance sheets of CyrusOne Inc. and subsidiaries (the "Company") as of December 31, 2014 (Successor) and 2013 (Successor), and the related consolidated statements of operations, comprehensive income, equity, and cash flows for the year ended December 31, 2014 (Successor), from January 24, 2013 to December 31, 2013 (Successor) and January 1, 2013 to January 23, 2013 (Predecessor) and for the year ended December 31, 2012 (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 these 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. 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 CyrusOne Inc. and subsidiaries as of December 31, 2014 (Successor) and 2013 (Successor), and the results of their operations and their cash flows for year ended December 31, 2014 (Successor), from January 24, 2013 to December 31, 2013 (Successor) and January 1, 2013 to January 23, 2013 (Predecessor) and for the year ended December 31, 2012 (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 financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 3, the financials statements of the Company for the period from January 1, 2013 to January 23, 2013 and for the year ended December 31, 2012 include allocations 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 for the period from January 1, 2013 to January 23, 2013 and for the year ended December 31, 2012 are presented as the "Predecessor" financial statements on a combined bases and the financial statements as of December 31, 2014 and 2013 and for the year ended December 31, 2014 and the period from January 24, 2013 to December 31, 2013 are presented on a consolidated basis as the "Successor" financial statements.

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, 2014, based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Dallas, Texas
February 27, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
CyrusOne Inc.
Carrollton, TX

We have audited the internal control over financial reporting of CyrusOne Inc. and subsidiaries (the "Company") as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework (2013) 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 Annual 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, 2014, based on the criteria established in Internal Control—Integrated Framework (2013) 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 schedules as of and for the year ended December 31, 2014 of the Company and our report dated February 27, 2015 expressed an unqualified opinion on those financial statements and financial statement schedules.

/s/ Deloitte & Touche LLP

Dallas, Texas
February 27, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Partners of
CyrusOne LP
Carrollton, TX

We have audited the accompanying consolidated balance sheets of CyrusOne LP and subsidiaries (the “Partnership”) as of December 31, 2014 (Successor) and 2013 (Successor), and the related consolidated statements of operations, comprehensive income, partnership capital, and cash flows for the year ended December 31, 2014 (Successor), from January 24, 2013 to December 31, 2013 (Successor) and January 1, 2013 to January 23, 2013 (Predecessor) and for the year ended December 31, 2012 (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 these 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 consolidated financial statements present fairly, in all material respects, the financial position of CyrusOne LP and subsidiaries as of December 31, 2014 (Successor) and 2013 (Successor), and the results of their operations and their cash flows for year ended December 31, 2014 (Successor), from January 24, 2013 to December 31, 2013 (Successor) and January 1, 2013 to January 23, 2013 (Predecessor) and for the year ended December 31, 2012 (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 financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 3, the financials statements of the Partnership for the period from January 1, 2013 to January 23, 2013 and for the year ended December 31, 2012 include allocations 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 Partnership operated as a separate entity apart from CBI. Also, the financial statements of the Partnership for the period from January 1, 2013 to January 23, 2013 and for the year ended December 31, 2012 are presented as the “Predecessor” financial statements on a combined bases and the financial statements as of December 31, 2014 and 2013 and for the year ended December 31, 2014 and 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 27, 2015

CyrusOne Inc.
CONSOLIDATED AND COMBINED BALANCE SHEETS
(amounts in millions, except for shares and per share amounts)

	As of December 31, 2014	As of December 31, 2013
Assets		
Investment in real estate:		
Land	$ 89.7	$ 89.3
Buildings and improvements	812.6	783.7
Equipment	349.1	190.2
Construction in progress	127.0	57.3
Subtotal	1,378.4	1,120.5
Accumulated depreciation	(327.0)	(236.7)
Net investment in real estate	1,051.4	883.8
Cash and cash equivalents	36.5	148.8
Rent and other receivables, net of allowance for doubtful accounts of $1.0 and $0.5 as of December 31, 2014 and December 31, 2013, respectively	60.9	41.2
Goodwill	276.2	276.2
Intangible assets, net of accumulated amortization of $72.1 and $55.1 as of December 31, 2014 and December 31, 2013, respectively	68.9	85.9
Due from affiliates	0.8	0.6
Other assets	91.8	70.3
Total assets	$1,586.5	$1,506.8
Liabilities and equity		
Accounts payable and accrued expenses	$ 69.9	$ 66.8
Deferred revenue	65.7	55.9
Due to affiliates	7.3	8.5
Capital lease obligations	13.4	16.7
Long-term debt	659.8	525.0
Other financing arrangements	53.4	56.3
Total liabilities	869.5	729.2
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 38,651,517 and 21,991,669 shares issued and outstanding at December 31, 2014 and December 31, 2013, respectively	0.4	0.2
Additional paid in capital	516.5	340.7
Accumulated deficit	(55.9)	(18.9)
Accumulated other comprehensive loss	(0.3)	—
Total shareholders' equity	460.7	322.0
Noncontrolling interest	256.3	455.6
Total equity	717.0	777.6
Total liabilities and equity	$1,586.5	$1,506.8

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

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

	Successor		Predecessor	
	Year Ended December 31, 2014	January 24, 2013 to December 31, 2013	January 1, 2013 to January 23, 2013	Year Ended December 31, 2012
Revenue	$330.9	$248.4	$ 15.1	$220.8
Costs and expenses:				
Property operating expenses	124.5	88.4	4.8	76.0
Sales and marketing	12.8	9.9	0.7	9.7
General and administrative	34.6	26.5	1.5	20.7
Depreciation and amortization	118.0	89.9	5.3	73.4
Restructuring charges	—	0.7	—	—
Transaction costs	1.0	1.3	0.1	5.7
Transaction-related compensation	—	—	20.0	—
Management fees charged by CBI	—	—	—	2.5
Loss on sale of receivables to an affiliate	—	—	—	3.2
Asset impairments	—	2.8	—	13.3
Total costs and expenses	290.9	219.5	32.4	204.5
Operating income (loss)	40.0	28.9	(17.3)	16.3
Interest expense	39.5	41.2	2.5	41.8
Other income	—	(0.1)	—	—
Loss on extinguishment of debt	13.6	1.3	—	—
Net loss before income taxes	(13.1)	(13.5)	(19.8)	(25.5)
Income tax (expense) benefit	(1.4)	(1.9)	(0.4)	5.1
(Loss) gain on sale of real estate improvements	—	(0.2)	—	0.1
Net loss	(14.5)	$ (15.6)	$(20.2)	$ (20.3)
Noncontrolling interest in net loss	(6.7)	(10.3)		
Net loss attributed to common shareholders	$ (7.8)	$ (5.3)		
Basic weighted average common shares outstanding	29.2	20.9		
Diluted weighted average common shares outstanding	29.2	20.9		
Loss per share—basic and diluted	$ (0.30)	$ (0.28)		

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

Form 10-K/A

CyrusOne Inc.
CONSOLIDATED AND COMBINED STATEMENTS OF COMPREHENSIVE INCOME
(amounts in millions)

	Successor		Predecessor	
	Year Ended December 31, 2014	January 24, 2013 to December 31, 2013	January 1, 2013 to January 23, 2013	Year Ended December 31, 2012
Net loss	$(14.5)	$(15.6)	$(20.2)	$(20.3)
Other comprehensive loss:				
Foreign currency translation adjustments	(0.3)	—	—	—
Comprehensive loss	(14.8)	(15.6)	(20.2)	(20.3)
Comprehensive loss attributable to noncontrolling interests	(0.1)	—	—	—
Comprehensive loss attributable to CyrusOne Inc.	$(14.7)	$(15.6)	$(20.2)	$(20.3)

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

	Common Stock Issued									
	Shares	Amount	Accum Deficit	Paid-In Capital	Partnership Capital	Divisional Control	Accum Other Comprehensive Loss	Total Shareholder's Equity/Parent's Net Investment	Non Controlling Interest	Total Equity
Balance as of January 1, 2012	—	$—	$ —	$ —	$ —	$ 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
Net Loss	—	—	(14.5)	—	—	—	—	(14.5)	—	(14.5)
Noncontrolling interest allocated net loss	—	—	6.7	—	—	—	—	6.7	(6.7)	—
Stock issuance costs	—	—	—	(1.3)	—	—	—	(1.3)	—	(1.3)
Foreign currency translation adjustments	—	—	—	—	—	—	(0.3)	(0.3)	—	(0.3)
Stock-based compensation	0.7	—	—	10.3	—	—	—	10.3	—	10.3
Issuance of common stock	16.0	0.2	—	355.8	—	—	—	356.0	—	356.0
Redemption of noncontrolling interest	—	—	—	(189.0)	—	—	—	(189.0)	(166.9)	(355.9)
Dividends declared, $0.84 per share	—	—	(29.2)	—	—	—	—	(29.2)	(25.7)	(54.9)
Balance as of December 31, 2014	38.7	$0.4	$(55.9)	$ 516.5	$ —	$ —	$(0.3)	$ 460.7	$ 256.3	$ 717.0

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

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

	Successor		Predecessor	
	Year Ended December 31, 2014	January 24, 2013 to December 31, 2013	January 1, 2013 to January 23, 2013	Year Ended December 31, 2012
Cash flows from operating activities:				
Net loss	$ (14.5)	$ (15.6)	$(20.2)	$ (20.3)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	118.0	89.9	5.3	73.4
Loss on sale of receivables and other assets	—	—	—	3.0
Provision for bad debt write off	0.8	0.4	—	0.1
Asset impairments	—	2.8	—	13.3
Loss on extinguishment of debt	13.6	1.3	—	—
Noncash interest expense	3.4	4.0	0.1	0.3
Deferred income tax expense (benefit), including valuation allowance change	—	0.6	0.3	(4.5)
Stock-based compensation expense	10.3	6.0	0.2	—
Changes in operating assets and liabilities, net of effects of acquisitions:				
Increase in receivables and other assets	(37.0)	(15.7)	(9.6)	(24.0)
Increase (decrease) in accounts payable and accrued expenses	6.9	(14.6)	20.5	(0.6)
Increase (decrease) in deferred revenues	9.8	(0.1)	3.2	3.8
(Decrease) increase in payables to related parties	(0.2)	18.4	1.5	—
Other	—	—	0.7	—
Net cash provided by operating activities	111.1	77.4	2.0	44.5
Cash flows from investing activities:				
Capital expenditures—acquisitions of real estate	—	(48.0)	—	(25.4)
Capital expenditures—other	(284.2)	(172.9)	(7.7)	(202.9)
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 affiliates	—	—	—	(18.3)
Other	—	(0.2)	—	0.1
Net cash used in investing activities	(284.2)	(216.7)	(5.8)	(252.6)
Cash flows from financing activities:				
Issuance of common stock	356.0	360.5	—	—
Stock issuance costs	(1.3)	—	—	—
IPO costs	—	(26.6)	—	—
Acquisition of operating partnership units	(355.9)	—	—	—
Dividends paid	(50.9)	(31.0)	—	—
Borrowings from revolving credit agreement	315.0	—	—	—
Borrowings from affiliates, net	—	—	—	119.8
Payments on revolving credit facility	(30.0)	—	—	—
Payments on senior notes	(150.2)	—	—	—
Repayment of related party note	—	—	—	(400.0)
Proceeds from issuance of debt	—	—	—	525.0
Payments on capital lease obligations	(3.0)	(5.3)	(0.6)	(9.0)
Payments on financing obligations	(0.9)	(0.7)	—	—
Payment to buyout capital leases	—	(9.6)	—	—
Payment to buyout other financing arrangements	—	(10.2)	—	—
Debt issuance costs	(5.2)	(1.3)	—	(17.2)
Payment of debt extinguishment costs	(12.8)	—	—	—
Contributions from/(distributions to) parent, net	—	—	0.2	5.4
Net cash provided by (used in) by financing activities	60.8	275.8	(0.4)	224.0
Net (decrease) increase in cash and cash equivalents	(112.3)	136.5	(4.2)	15.9
Cash and cash equivalents at beginning of period	148.8	12.3	16.5	0.6
Cash and cash equivalents at end of period	$ 36.5	$ 148.8	$ 12.3	$ 16.5
Supplemental disclosures				
Cash paid for interest, net of amount capitalized	$ 41.3	$ 40.7	$ 0.3	$ 42.4
Cash paid for income taxes	0.4	—	—	—
Capitalized interest	4.6	1.6	—	2.7
Noncash investing and financing transactions:				
Acquisition of property in accounts payable and other liabilities	26.8	35.8	15.7	7.7
Acquisition of property by assuming capital lease obligations and other financing arrangements	—	—	—	11.6
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	14.3	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 LP
CONSOLIDATED AND COMBINED BALANCE SHEETS
(amounts in millions)

	Successor	Successor
	As of December 31, 2014	As of December 31, 2013
Assets		
Investment in real estate:		
Land	$ 89.7	$ 89.3
Buildings and improvements	812.6	783.7
Equipment	349.1	190.2
Construction in progress	127.0	57.3
Subtotal	1,378.4	1,120.5
Accumulated depreciation	(327.0)	(236.7)
Net investment in real estate	1,051.4	883.8
Cash and cash equivalents	36.5	148.8
Rent and other receivables, net of allowance for doubtful accounts of $1.0 and $0.5 as of December 31, 2014 and December 31, 2013, respectively	60.9	41.2
Goodwill	276.2	276.2
Intangible assets, net of accumulated amortization of $72.1 and $55.1 as of December 31, 2014 and December 31, 2013, respectively	68.9	85.9
Due from affiliates	0.8	0.6
Other assets	91.8	70.3
Total assets	$1,586.5	$1,506.8
Liabilities and parent's net investment		
Accounts payable and accrued expenses	$ 69.9	$ 66.8
Deferred revenue	65.7	55.9
Due to affiliates	7.3	8.5
Capital lease obligations	13.4	16.7
Long-term debt	659.8	525.0
Other financing arrangements	53.4	56.3
Total liabilities	869.5	729.2
Commitment and contingencies		
Parent's net investment:		
Partnership capital	717.0	777.6
Total liabilities and partnership capital	$1,586.5	$1,506.8

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

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

	Successor		Predecessor	
	Year Ended December 31, 2014	January 24, 2013 to December 31, 2013	January 1, 2013 to January 23, 2013	Year Ended December 31, 2012
Revenue	$330.9	$248.4	$ 15.1	$220.8
Costs and expenses:				
Property operating expenses	124.5	88.4	4.8	76.0
Sales and marketing	12.8	9.9	0.7	9.7
General and administrative	34.6	26.5	1.5	20.7
Depreciation and amortization	118.0	89.9	5.3	73.4
Restructuring charges	—	0.7	—	—
Transaction costs	1.0	1.3	0.1	5.7
Transaction-related compensation	—	—	20.0	—
Management fees charged by CBI	—	—	—	2.5
Loss on sale of receivables to an affiliate	—	—	—	3.2
Asset impairments	—	2.8	—	13.3
Total costs and expenses	290.9	219.5	32.4	204.5
Operating income (loss)	40.0	28.9	(17.3)	16.3
Interest expense	39.5	41.2	2.5	41.8
Other income	—	(0.1)	—	—
Loss on extinguishment of debt	13.6	1.3	—	—
Net loss before income taxes	(13.1)	(13.5)	(19.8)	(25.5)
Income tax (expense) benefit	(1.4)	(1.9)	(0.4)	5.1
(Loss) gain on sale of real estate improvements	—	(0.2)	—	0.1
Net loss	$ (14.5)	$ (15.6)	$(20.2)	$ (20.3)

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

CyrusOne LP
CONSOLIDATED AND COMBINED STATEMENTS OF COMPREHENSIVE INCOME
(amounts in millions)

	Successor		Predecessor	
	Year Ended December 31, 2014	January 24, 2013 to December 31, 2013	January 1, 2013 to January 23, 2013	Year Ended December 31, 2012
Net loss	$(14.5)	$(15.6)	$(20.2)	$(20.3)
Other comprehensive loss:				
Foreign currency translation adjustments	(0.3)	—	—	—
Comprehensive loss	$(14.8)	$(15.6)	$(20.2)	$(20.3)

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

	Partnership Units	Partnership Capital	Divisional Control
Balance January 1, 2012	—	$ —	$ 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	$ —
Net loss	—	(14.5)	—
Compensation expense of CyrusOne Inc. allocated to operating partnership	—	10.3	—
Foreign currency translation adjustments	—	(0.3)	—
Partnership units issued to CyrusOne Inc.	0.7	—	—
Partnership units purchased by CyrusOne Inc.	16.0	356.0	—
Partnership units sold by CBI	(16.0)	(355.9)	—
Distributions to CyrusOne Inc.	—	(1.3)	—
Partnership distributions	—	(54.9)	—
Balance at December 31, 2014	65.3	$ 717.0	$ —

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

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

	Successor		Predecessor	
	Year Ended December 31, 2014	January 24, 2013 to December 31, 2013	January 1, 2013 to January 23, 2013	Year Ended December 31, 2012
Cash flows from operating activities:				
Net loss	$ (14.5)	$ (15.6)	$(20.2)	$ (20.3)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	118.0	89.9	5.3	73.4
Loss on sale of receivables and other assets	—	—	—	3.0
Provision for bad debt write off	0.8	0.4	—	0.1
Asset impairments	—	2.8	—	13.3
Loss on extinguishment of debt	13.6	1.3	—	—
Noncash interest expense	3.4	4.0	0.1	0.3
Deferred income tax expense (benefit), including valuation allowance change	—	0.6	0.3	(4.5)
Stock-based compensation expense	10.3	6.0	0.2	—
Changes in operating assets and liabilities, net of effects of acquisitions:				
Increase in receivables and other assets	(37.0)	(15.7)	(9.6)	(16.1)
Increase (decrease) in accounts payable and accrued expenses	6.9	(14.6)	20.5	(1.4)
Increase (decrease) in deferred revenues	9.8	(0.1)	3.2	3.8
(Decrease) increase in payables to related parties	(0.2)	18.4	1.5	—
Other	—	—	0.7	—
Net cash provided by operating activities	111.1	77.4	2.0	51.6
Cash flows from investing activities:				
Capital expenditures—acquisitions of real estate	—	(48.0)	—	(25.4)
Capital expenditures—other	(284.2)	(172.9)	(7.7)	(202.9)
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 affiliates	—	—	—	(18.3)
Other	—	(0.2)	—	0.1
Net cash used in investing activities	(284.2)	(216.7)	(5.8)	(252.6)
Cash flows from financing activities:				
Issuance of partnership units	0.1	333.9	—	—
Distributions paid	(50.9)	(31.0)	—	—
Borrowings from revolving credit agreement	315.0	—	—	—
Borrowings from affiliates, net	—	—	—	119.8
Payments on revolving credit facility	(30.0)	—	—	—
Payments on senior notes	(150.2)	—	—	—
Repayment of related party note	—	—	—	(400.0)
Proceeds from issuance of debt	—	—	—	525.0
Payments on capital lease obligations	(3.0)	(5.3)	(0.6)	(9.0)
Payments on financing obligations	(0.9)	(0.7)	—	—
Payments to buyout capital leases	—	(9.6)	—	—
Payment to buyout other financing arrangements	—	(10.2)	—	—
Debt issuance costs	(5.2)	(1.3)	—	(17.2)
Payment of debt extinguishment costs	(12.8)	—	—	—
Contributions to/(distributions from) parent, net	(1.3)	—	0.2	(1.7)
Other	—	—	—	—
Net cash provided by (used in) by financing activities	60.8	275.8	(0.4)	216.9
Net (decrease) increase in cash and cash equivalents	(112.3)	136.5	(4.2)	15.9
Cash and cash equivalents at beginning of period	148.8	12.3	16.5	0.6
Cash and cash equivalents at end of period	$ 36.5	$ 148.8	$ 12.3	$ 16.5
Supplemental disclosures				
Cash paid for interest, net of amount capitalized	$ 41.3	$ 40.7	$ 0.3	$ 42.4
Cash paid for income taxes	0.4	—	—	—
Capitalized interest	4.6	1.6	—	2.7
Noncash investing and financing transactions:				
Acquisition of property in accounts payable and other liabilities	26.8	35.8	15.7	7.7
Acquisitions of property by assuming capital lease obligations and other financing arrangements	—	—	—	11.6
Contribution receivable from Parent related to transaction-related compensation	—	—	19.6	—
Distribution payable	14.3	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 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 multi-tenant data center properties. 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 approximately 25 data centers located in the United States, United Kingdom and Singapore.

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 123.7 million operating partnership units to CBI.

On January 24, 2013, CyrusOne Inc. completed its initial public offering ("IPO") of common stock, issuing approximately 19 million shares for $337.1 million, net of underwriting 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%.

On June 25, 2014, CyrusOne Inc. completed a public offering of 16 million shares of its common stock, including 2.1 million shares of common stock issued upon the exercise in full by the underwriters of their option to purchase additional shares, at a price to the public of $23.25 per share, or $371.7 million. CyrusOne Inc. used the proceeds of $355.9 million, net of underwriting discounts of $15.8 million, to acquire 16 million common units of limited partnership interests in the operating partnership from a subsidiary of CBI.

As of December 31, 2014, the total number of outstanding partnership units was 65.3 million and CBI holds a 40.8% noncontrolling interest in the operating partnership. CBI effectively owns approximately 43.7% of CyrusOne through its interest in outstanding shares of common stock of CyrusOne Inc. and its interest in the operating partnership units of CyrusOne LP.

3. Basis of Presentation

The accompanying financial statements for the period ended January 23, 2013 and the year ended December 31, 2012, were prepared on a combined basis using CBI's historical basis in the assets and liabilities

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

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 reasonable but do not necessarily reflect what CyrusOne's financial position, results of operations and cash flows would have 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, 2014 and 2013 and for the period from January 24, 2013 to December 31, 2013, and the year ended December 31, 2014, are prepared on a consolidated basis and are presented as the "Successor" financial statements.

In addition, the accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All material intercompany transactions and balances have been eliminated in consolidation.

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 between CyrusOne and CBI. 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.

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.

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

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

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 2014, 2013, and 2012 was $4.6 million, $1.6 million, and $2.7 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 nine to forty-eight years years for buildings, three to twenty-five years for building improvements, and three to five years years or 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 period ended December 31, 2013 and the year ended December 31, 2012, we recognized impairments of $2.8 million and $11.8 million, respectively. No such impairments were recognized in 2014.

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.

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. There were no impairments recognized for the years ended December 31, 2014 or 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 combination 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. There were no impairments recognized for the years ended December 31, 2014 or 2013.

Rent and Other Receivables—Receivables consist principally of trade receivables from customers and are generally unsecured and 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

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

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, 2014 and 2013. In addition, our receivables include $8.7 million of receivables as of December 31, 2014 which has not been billed to the customer. The amount will be billed and payable in 36 monthly payments starting in April 2015 through March 2018.

As of December 31, 2014, receivables were $61.9 million, and the allowance for uncollectible accounts was $1.0 million. The December 31, 2013 receivables were $41.7 million, and the allowance for uncollectible accounts was $0.5 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 to expense 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 senior notes, term loans and revolving credit facilities. These financing costs are capitalized and amortized to expense over the term of the instrument 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 periods 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, 2014 and 2013, straight-line rents receivable was $33.7 million and $25.5 million, respectively.

Some of our leases are structured on a full-service gross basis where 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 their actual usage, which is separately metered, as well as an estimate of electricity used to power supporting infrastructure for the data center. In both cases, this revenue is presented on a gross basis in the accompanying consolidated and combined statement 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 or they are contractually obligated to pay any amounts in advance, which is

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

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, 2014 and 2013, deferred revenue was $65.7 million and $55.9 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 immaterial for the years ended December 31, 2014 and 2013.

A provision for uncollectible accounts is recognized when the collection of contractual rent, straight-line rent or customer reimbursements are deemed to be uncollectible. The provision for uncollectible accounts was $1.0 million in 2014, $0.5 million in 2013 and $0.3 million in 2012.

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 $2.9 million for the year ended December 31, 2014, $2.1 million for the period ended December 31, 2013, $0.1 million for the period ended January 23, 2013, and $2.9 million for the year ended December 31, 2012.

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. Estimated useful lives are periodically reviewed. Depreciation expense was $95.8 million for the year ended December 31, 2014, $70.3 million for the period ended December 31, 2013, $4.1 million for the period ended January 23, 2013, and $54.5 million for the year ended December 31, 2012.

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 fifteen years. In addition, we have a favorable leasehold interest related to a land lease that is being amortized over the lease term of fifty-six years. Deferred leasing costs are amortized over three to five years. Amortization expense was $22.2 million for the year ended December 31, 2014, $19.6 million for the period ended December 31, 2013, $1.2 million for the period ended January 23, 2013, and $18.9 million for the year ended December 31, 2012.

Transaction Costs—Transaction costs represent legal, accounting and professional fees incurred in connection with the formation transactions, our qualification as a real estate investment trust, or REIT, and potential business combinations. Transaction costs are expensed as incurred.

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.

Income Taxes—CyrusOne Inc. was included in CBI's consolidated tax returns in various jurisdictions for the Predecessor period and was included in the Successor period for Texas only until June 26, 2014 when CBI's ownership percentage in the operating partnership was reduced below 50%. In the accompanying financial statements, the Predecessor period and the Successor period (for Texas only until June 26, 2014) reflect income taxes as if the Company were a separate stand-alone company. The income tax provision consists of an amount

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

for taxes currently payable and an amount for tax consequences deferred to future periods. CyrusOne Inc. elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), commencing with our initial taxable year ending December 31, 2013. Provided we 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 they earn 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 2011, and we have no liabilities for uncertain tax positions as of December 31, 2014 or 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.

Comprehensive Loss—Comprehensive loss represents the change in net assets of a company from transactions and other events from non-owner sources. Comprehensive loss comprises all components of net loss and all components of other comprehensive loss. Comprehensive loss was equal to $0.3 million in 2014. Comprehensive loss was equal to our net loss in 2013 and 2012.

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.

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.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

Stock-Based Compensation—In conjunction with the IPO, our board of directors adopted the 2012 Long-Term Incentive Plan ("LTIP"). The LTIP 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. The awards under the LTIP 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 generally vest over three years. The per share grant date price was $19.00. In addition, from time to time, new employees and members of our board of directors have been issued restricted shares. These restricted shares are issued at a price equal to our share price on the grant date.

Performance and Market Based Awards—On April 17, 2013, and February 7, 2014, the Company issued performance and market based awards in the form of options and/or 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 15 for additional details relating to these awards.

Compensation expense for these awards is recognized over the vesting periods.

Fair Value Measurements—Fair value measurements are utilized in accounting for business combinations and testing of goodwill and other long-lived assets for impairment and disclosures. 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 Chief Executive Officer, 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

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

fiscal years and interim periods within those years, beginning after December 15, 2013. The Company adopted this guidance in the first quarter of 2014 and has properly reflected the impact in the guarantor financial statements.

In May 2014, the FASB issued guidance that outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance. This guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and also requires certain additional disclosures which are effective for interim and annual reporting periods in fiscal years that begin after December 15, 2016. We are currently evaluating the impact of the adoption of this guidance in our consolidated financial statements.

In June 2014, the FASB issued a guidance update for the presentation of stock compensation. This guidance requires an entity to treat performance targets that can be met after the requisite service period of a share based award has ended, as a performance condition that affects vesting which is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2015. We are currently evaluating the impact of the adoption of this guidance in our consolidated financial statements.

In August 2014, the FASB issued guidance on determining when and how reporting entities must disclose going-concern uncertainties in their financial statements. The new standard requires management to perform interim and annual assessments of an entity’s ability to continue as a going concern within one year of the date of issuance of the entity’s financial statements. This guidance is effective for annual periods ending after December 15, 2016, and interim periods thereafter; early adoption is permitted. We are currently evaluating the full impact of the new standard.

In January 2015, the FASB issued guidance eliminating from U.S. GAAP the concept of an extraordinary item. An entity is no longer required to (1) segregate an extraordinary item from the results of ordinary operations; (2) separately present an extraordinary item on its income statement, net of tax, after income from continuing operations; and (3) disclose income taxes and earnings-per-share data applicable to an extraordinary item. This guidance does not affect the reporting and disclosure requirements for an event that is unusual in nature or that occurs infrequently.

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:

	December 31, 2014			December 31, 2013		
(amounts in millions)	Land	Building and Improvements	Equipment	Land	Building and Improvements	Equipment
West Seventh St., Cincinnati, OH (7th Street)	$ 0.9	$110.6	$ 12.7	$ 0.9	$107.6	$ 11.0
Parkway Dr., Mason, OH (Mason)	—	20.2	0.9	—	20.2	0.6
Industrial Rd., Florence, KY (Florence)	2.2	41.4	3.0	2.2	41.4	2.4
Goldcoast Dr., Cincinnati, OH (Goldcoast)	0.6	6.7	0.1	0.6	6.7	0.1
Knightsbridge Dr., Hamilton, OH (Hamilton)	—	49.2	3.7	—	49.2	3.6
E. Monroe St., South Bend, IN (Monroe St.)	—	2.5	0.1	—	2.5	—
Springer St., Lombard, IL (Lombard)	0.7	4.7	5.7	0.7	4.6	0.2
Crescent Circle, South Bend, IN (Blackthorn)	—	3.3	0.1	—	3.3	0.2
Kingsview Dr., Lebanon, OH (Lebanon)	4.0	77.0	5.5	4.0	71.7	2.2
McAuley Place, Blue Ash, OH (Blue Ash)	—	0.6	0.1	—	0.6	—
Westway Park Blvd., Houston, TX (Houston West 1)	1.4	84.4	43.8	1.4	84.4	39.4
Westway Park Blvd., Houston, TX (Houston West 2)	2.0	22.5	45.1	2.0	22.4	15.8
Westway Park Blvd., Houston, TX (Houston West 3)	18.4	—	—	18.3	—	—
Southwest Fwy., Houston, TX (Galleria)	—	68.6	15.0	—	68.4	13.3
E. Ben White Blvd., Austin, TX (Austin 1)	—	22.5	1.2	—	22.5	1.2
S. State Highway 121 Business, Lewisville, TX (Lewisville)	—	76.7	22.8	—	77.0	20.3
Marsh Lane, Carrollton, TX (Marsh Ln)	—	0.1	0.5	—	0.1	0.5
Midway Rd., Carrollton, TX (Midway)	—	2.0	0.4	—	2.0	0.4
W. Frankford Rd., Carrollton, TX (Carrollton)	16.1	51.6	85.3	16.1	42.6	34.8
Bryan St., Dallas, TX (Bryan St)	—	0.1	0.2	—	0.1	0.1
North Freeway, Houston, TX (Greenspoint)	—	1.3	—	—	1.3	0.4
South Ellis Street, Chandler, AZ (Phoenix 1)	14.8	56.4	43.9	15.0	55.7	11.7
South Ellis Street, Chandler, AZ (Phoenix 2)	—	13.2	21.8	—	—	—
Westover Hills Blvd., San Antonio, TX (San Antonio 1)	4.6	32.1	32.4	4.6	32.1	29.5
Westover Hills Blvd., San Antonio, TX (San Antonio 2)	7.0	—	—	6.7	—	—
Metropolis Dr., Austin, TX (Austin 2)	2.0	23.2	4.0	2.0	23.1	1.7
Kestral Way (London)	—	32.7	0.7	—	34.8	0.7
Jurong East (Singapore)	—	9.0	0.1	—	9.4	0.1
Ridgetop Circle, Sterling, VA (Northern VA)	7.0	—	—	6.9	—	—
Metropolis Dr., Austin, TX (Austin 3)	8.0	—	—	7.9	—	—
Total	**$89.7**	**$812.6**	**$349.1**	**$89.3**	**$783.7**	**$190.2**

Construction in progress was $127.0 million and $57.3 million as of December 31, 2014 and December 31, 2013, respectively. We have sustained 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)

During 2014, we continued to invest in the development of real estate. Our development has included the completion of additional square footage and power primarily in our Phoenix 1, Phoenix 2, Carrollton, and Houston West 2 data centers.

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, 2014 and 2013.

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

		December 31, 2014			December 31, 2013		
(amounts in millions)	Weighted-Average Life (in years)	Gross Carrying Amount	Accumulated Amortization	Total	Gross Carrying Amount	Accumulated Amortization	Total
Customer relationships	15	$129.7	$(69.5)	$60.2	$129.7	$(53.1)	$76.6
Trademark	15	7.4	(2.3)	5.1	7.4	(1.8)	5.6
Favorable leasehold interest	56	3.9	(0.3)	3.6	3.9	(0.2)	3.7
Total		$141.0	$(72.1)	$68.9	$141.0	$(55.1)	$85.9

There were no intangible asset impairments for the years ended December 31, 2014 or 2013.

Amortization expense for acquired intangible assets subject to amortization was $17.0 million, $15.9 million, $1.0 million and $16.4 million for the year ended December 31, 2014, and the periods ended December 31, 2013 and January 23, 2013, and the year ended December 31, 2012, respectively.

The following table presents estimated amortization expense for each of the next five years and thereafter, commencing January 1, 2015:

(amounts in millions)	
2015	$14.6
2016	11.6
2017	9.5
2018	7.6
2019	5.9
Thereafter	19.7
Total	$68.9

8. Debt and Other Financing Arrangements

Debt and other financing arrangements presented in the accompanying consolidated and combined financial statements consist of the following:

(amounts in millions)	December 31, 2014	December 31, 2013
Revolving facility	$135.0	$ —
Term loan	150.0	—
6 $^{3}/_{8}$% senior notes due 2022	374.8	525.0
Long-term debt	659.8	525.0
Capital lease obligations	13.4	16.7
Other financing arrangements	53.4	56.3
Total	$726.6	$598.0

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

Revolving credit agreement—On October 9, 2014, CyrusOne LP entered into a new credit agreement which provides for a $450 million senior unsecured revolving credit facility to replace CyrusOne LP's $225 million secured credit facility, and a $150 million senior unsecured term loan. The revolving facility is scheduled to mature in October 2018 and includes a one-year extension option, which if exercised by CyrusOne LP would extend the maturity date to October 2019. The term loan is scheduled to mature in October 2019. The revolving facility currently bears interest at a rate per annum equal to LIBOR plus 1.70% and the term loan currently bears interest at a rate per annum equal to LIBOR plus 1.65%. The credit agreement governing the revolving credit facility and the term loan contains an accordion feature that allows CyrusOne LP to increase the aggregate commitment by up to $300 million.

As of December 31, 2014 there were borrowings of $135 million under the revolving facility and $150 million under the term loan. There were no borrowings under the previous credit agreement as of December 31, 2013.

We pay commitment fees for the unused amount of borrowings on the revolving facility and term loan and letter of credit fees on any outstanding letters of credit. The commitment fees are equal to 0.25% 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 for the years ended December 31, 2014 and 2013.

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 $5.9 million, $6.3 million, $0.3 million and $7.4 million for the year ended December 31, 2014, and the periods ended December 31, 2013, and January 23, 2013, and year ended December 31, 2012, respectively.

6.375% Senior Notes due 2022—On November 20, 2012, CyrusOne LP and CyrusOne Finance Corp. (the "Issuers") issued $525 million of 6.375% senior notes due 2022 ("6.375% senior notes"). The 6.375% 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 6.375% 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 6.375% 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 6.375% 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 6.375% senior notes bear interest at a rate of 6.375% per annum, payable semi-annually on May 15 and November 15 of each year, beginning on May 15, 2013.

The indenture governing the 6.375% 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

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

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 6.375% 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 6.375% senior notes at a redemption price equal to 100% of the principal amount of the 6.375% 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 6.375% senior notes at any time at declining redemption prices equal to (i) 103.188% beginning on November 15, 2017, (ii) 102.125% beginning on November 15, 2018, (iii) 101.063% beginning on November 15, 2019 and (iv) 100.000% beginning on November 15, 2020 and thereafter, plus, in each case, accrued and unpaid interest, if any, to the applicable redemption date. In addition, before November 15, 2015, and subject to certain conditions, the Issuers may, at their option, redeem up to 35% of the aggregate principal amount of the 6.375% 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 6.375% senior notes remains outstanding and (ii) the redemption occurs within 90 days of the closing of any such equity offering.

In November and December of 2014, we repurchased our 6.375% senior notes with an aggregate face value of $150.2 million for a purchase price of $163 million, including accrued interest. This resulted in a loss on extinguishment of debt of $12.8 million. As of December 31, 2014, the outstanding balance on our 6.375% senior notes was $374.8 million.

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.

The following table summarizes our annual minimum payments associated with our other financing arrangements for the five years subsequent to December 31, 2014, and thereafter:

(amounts in millions)	
2015	$ 5.6
2016	5.7
2017	5.8
2018	5.9
2019	6.0
Thereafter	21.1
Total financing arrangements	$50.1

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

The following table summarizes annual principal maturities of our revolving facility and term loan, 6 3/8% senior notes due 2022 and capital leases for the five years subsequent to December 31, 2014, and thereafter:

(amounts in millions)	Revolving Facility/Term Loan	6.375% Senior Notes	Capital Leases	Total
2015	$ —	$ —	$ 2.3	$ 2.3
2016	—	—	2.5	2.5
2017	—	—	1.2	1.2
2018	135.0	—	1.4	136.4
2019	150.0	—	1.5	151.5
Thereafter	—	374.8	4.5	379.3
Total debt	$285.0	$374.8	$13.4	$673.2

The payment of interest on capital leases over the next five years and thereafter will be $1.2 million, $1.0 million, $0.8 million, $0.7 million, $0.5 million and $0.8 million, respectively.

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 revolving facility and term loan and 6.375% senior notes due 2022. As of December 31, 2014, and 2013, deferred financing costs totaled $15.5 million and $14.1 million, respectively. Deferred financing costs related to the senior notes are amortized using the effective interest method over the term of the related indebtedness. Deferred financing costs related to the revolving facility and term loan are amortized using the straight-line method. Amortization of deferred financing costs, included in interest expense in the consolidated and combined statements of operations, totaled $3.4 million, $4.0 million and $0.1 million for the year ended December 31, 2014, and the periods ended December 31, 2013, and January 23, 2013, respectively, and $0.3 million in 2012. The amortization of deferred financing costs for the year ended December 31, 2014 included $0.8 million related to the extinguishment of debt and the correction of expense recorded in prior periods.

Debt Covenants—The credit agreement governing the revolving facility and the term loan requires us to maintain certain financial covenants including the following, in each case on a consolidated basis:

- A minimum fixed charge ratio;
- Maximum total and secured leverage ratios;
- A minimum tangible net worth ratio;
- A maximum secured recourse indebtedness ratio;
- A minimum unencumbered debt yield ratio; and
- A maximum ratio of unsecured indebtedness to unencumbered asset value.

Notwithstanding these limitations, 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 Funds From Operations (“FFO”), 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 credit agreement. In order to continue to have access to amounts available to it under the credit agreement, the Company must remain in compliance with all covenants.

The indenture governing the 6.375% 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

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

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.

As of December 31, 2014 and 2013, we believe we were in compliance with all covenants.

9. 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:

	December 31, 2014		December 31, 2013	
(amounts in millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
6.375% senior notes due 2022	$374.8	$402.0	$525.0	$539.4
Revolving facility and term loan	285.0	285.0	—	—
Other financing arrangements	53.4	63.1	56.3	63.8

The fair value of our senior notes as of December 31, 2014 and 2013 was based on the quoted market price for these notes, which is considered Level 1 of the fair value hierarchy. The fair value of the revolving facility and term loan was based on par value as of December 31, 2014. The fair value of other financing arrangements at December 31, 2014 and December 31, 2013, 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. There were no impairment charges for the year ended December 31, 2014.

The measured fair value used in the 2013 related impairment charges is summarized below:

(amounts 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)

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.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

10. Noncontrolling Interest—Operating Partnership

The noncontrolling interest represents the limited partnership interest in the operating partnership held by CBI.

The following table shows the ownership interests as of December 31, 2014 and 2013, and the portion of net loss and distributions for the year ended December 31, 2014, and the period ended December 31, 2013:

	December 31, 2014		December 31, 2013	
(amounts in millions, except unit amount)	The Company	CBI	The Company	CBI
Operating partnership units	38.7	26.6	22.0	42.6
Ownership %	59.2%	40.8%	34.1%	65.9%
Portion of net loss	$ (7.8)	$ (6.7)	$ (5.3)	$(10.3)
Distributions	$(29.2)	$(25.7)	$(13.6)	$(27.8)

CyrusOne LP issued 123.7 million operating partnership units to CBI on November 20, 2012 and CBI 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 44.1 million operating partnership units. On January 24, 2013, CBI exchanged 1.5 million operating partnership units for common shares of CyrusOne Inc.

As stock is issued by CyrusOne Inc., CBI's ownership percentage will change. CyrusOne Inc. has issued shares in conjunction with the LTIP discussed in Note 15. Furthermore, on June 25, 2014, CyrusOne Inc. completed a public offering of 16 million shares of its common stock, including 2.1 million shares of common stock issued upon the exercise in full by the underwriters of their option to purchase additional shares, at a price to the public of $23.25 per share, or $371.7 million. CyrusOne Inc. used the proceeds of $355.9 million, net of underwriting discounts of $15.8 million, to acquire 16 million common units of limited partnership interests in the operating partnership from a subsidiary of CBI. As a result, the Company's noncontrolling interest decreased by $166.9 million and CBI's ownership decreased to 40.8% as of December 31, 2014. In addition, the Company's additional paid in capital decreased by $189 million which represents the difference between the proceeds and the noncontrolling interest redeemed by CBI.

11. Dividends

We have declared cash dividends on common shares and distributions on operating partnership units for the years ended December 31, 2014 and 2013 as presented in the table below:

Record date	Payment date	Cash dividend per share or operating partnership unit
March 29, 2013	April 15, 2013	$0.16
June 28, 2013	July 15, 2013	$0.16
September 27, 2013	October 15, 2013	$0.16
December 27, 2013	January 10, 2014	$0.16
March 28, 2014	April 15, 2014	$0.21
June 27, 2014	July 15, 2014	$0.21
September 26, 2014	October 15, 2014	$0.21
December 26, 2014	January 9, 2015	$0.21

As of December 31, 2014 and 2013 we had a dividend payable of $14.3 million and $10.4 million, respectively. On February 18, 2015, we announced a regular cash dividend of $0.315 per common share payable to shareholders of record as of March 27, 2015. In addition, holders of operating partnership units will also receive a distribution of $0.315 per unit. The dividend and distribution will be paid on April 15, 2015.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

12. 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:

(amounts in millions)	
2015	$240.8
2016	176.2
2017	126.8
2018	87.0
2019	47.3

13. Employee Benefit Plans

Currently, our employees participate in health care plans sponsored by CyrusOne, which provide medical, dental, vision and prescription benefits. We incurred $2.1 million of expenses related to these plans for the year ended December 31, 2014. For the periods ended December 31, 2013 and January 23, 2013, we incurred $1.6 million and $0.1 million, respectively, of expenses related to these plans. 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 offers a retirement savings plan to its employees. CyrusOne's matching contribution to its retirement savings plan was $0.8 million for the year ended December 31, 2014, 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.

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 the year ended December 31, 2012.

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 year ended December 31, 2012 were $0.1 million.

14. 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.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

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, 2014:

(dollars and shares in millions, except per share amounts)	Year Ended December 31, 2014		Period Ended December 31, 2013	
	Basic	Diluted	Basic	Diluted
Numerator:				
Net loss attributed to common shareholders	$ (7.8)	$ (7.8)	$ (5.3)	$ (5.3)
Less: Restricted stock dividends	(0.8)	(0.8)	(0.6)	(0.6)
Net loss available to shareholders	$ (8.6)	$ (8.6)	$ (5.9)	$ (5.9)
Denominator:				
Weighted average common outstanding-basic	29.2	29.2	20.9	20.9
Performance-based restricted stock[1][2]		—		—
Convertible securities[1][2]		—		—
Weighted average shares outstanding-diluted		29.2		20.9
EPS:				
Net loss per share-basic	$(0.30)		$(0.28)	
Effect of dilutive shares				—
Net loss per share-diluted		$(0.30)		$(0.28)

(1) We have excluded 0.8 million shares of restricted stock, and 34.3 million of operating partnership units which are securities convertible into common stock effective January 2014, from our diluted earnings per share as of December 31, 2014. These amounts were deemed anti-dilutive.

(2) We have excluded 0.2 million shares 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.

15. Stock-Based Compensation Plans

In conjunction with the CyrusOne Inc. IPO, the board of directors of CyrusOne Inc. adopted the LTIP. The LTIP is administered by the board of directors. 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, 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. 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. The related stock compensation expense incurred by CyrusOne Inc. will be allocated to the operating partnership. Shares available under the LTIP at December 31, 2014, were approximately 2 million.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

Restricted Stock

Restricted stock awards vest over specified periods of time as long as the employee remains employed with the Company. The following table sets forth the number of unvested shares of restricted stock and the weighted average fair value of these shares at the date of grant:

	Shares of Restricted Stock	Weighted Average Fair Value at Date of Grant
Unvested balance at December 31, 2012	—	$ —
Granted	1,024,064	19.01
Vested	—	—
Forfeited	(119,712)	19.00
Unvested balance at December 31, 2013	904,352	19.01
Granted	46,313	20.73
Vested	(47,845)	19.17
Forfeited	(25,948)	19.00
Unvested balance at December 31, 2014	876,872	$19.09

During the years ended December 31, 2014 and 2013, we issued 46,313 and 1,024,064 shares of restricted stock, which had an aggregate value of $1.0 million and $19.5 million, respectively, on the grant dates. This amount will be amortized to expense over the respective vesting periods, which are typically three years. Also during the year ended December 31, 2014, 47,845 shares of restricted stock vested at a value of $0.9 million on the respective vesting date.

As of December 31, 2014, total unearned compensation on restricted stock was $6.0 million and the weighted average vesting period was 1.1 years.

Performance and Market Based Awards

In 2014 and 2013, the Company approved grants of performance and market based restricted stock under the LTIP. The performance based restricted stock 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 vest at the end of three 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 (the “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%

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

These awards are expensed based on the grant date fair value based on the performance that is probable to be achieved or based on the performance that is expected to be achieved. The forfeiture rate for these awards was approximately 2.2% and 11.6% during the years ended December 31, 2014 and 2013, respectively.

The following table sets forth the number of unvested shares of performance and market based awards and the weighted average fair value of these shares at the date of grant:

	Shares of Restricted Stock	Weighted Average Fair Value at Date of Grant
Unvested balance at December 31, 2012	—	$ —
Granted	250,565	23.58
Vested	—	—
Forfeited	(28,248)	23.58
Unvested balance at December 31, 2013	222,317	23.58
Granted	672,158	20.65
Vested	(18,484)	23.55
Forfeited	(13,221)	21.26
Unvested balance at December 31, 2014	862,770	$21.33

During the years ended December 31, 2014 and 2013, we issued 672,158 and 250,565 shares of restricted stock, which had an aggregate value of $13.9 million and $5.9 million, respectively, on the grant dates. This amount will be amortized to expense over the respective vesting periods, which are typically three years. Also during the year ended December 31, 2014, 18,484 shares of restricted stock vested at a value of $0.4 million on the respective vesting date.

As of December 31, 2014, total unearned compensation on these performance and market based restricted stock was $4.7 million and the weighted average vesting period was 1.8 years.

Stock Options

The Company awarded stock options to various executives in 2013. These awards are expensed based on the grant date fair value based on the performance that is probable to be achieved or based on the performance that is expected to 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 the following:

Number of options granted	190,432
Exercise price	$ 23.58
Expected term (in years)	6
Expected volatility	35%
Expected annual dividend	3.4%
Risk-free rate	0.92%
Fair value at date of grant	$1.4 million

As of December 31, 2014, we have unrecognized compensation expense of approximately $0.2 million. This expense will be recognized over the remaining vesting period, or approximately 1.2 years. The exercise price for these options is $23.58.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

The following table sets forth the number of unvested options as of December 31, 2014 and 2013 and the weighted average fair value of these options at the grant date:

	Shares of Restricted Options	Weighted Average Fair Value at Date of Grant
Unvested balance at December 31, 2012	—	$ —
Granted	190,432	7.46
Vested	—	—
Forfeited	(21,469)	7.46
Unvested balance at December 31, 2013	168,963	7.46
Granted	—	—
Vested	—	—
Forfeited	(2,091)	7.46
Unvested balance at December 31, 2014	166,872	$7.46

The following tables set forth the number of exercisable options as of December 31, 2014 and the weighted average fair value and exercise price of these options at the grant date:

	Shares of Restricted Options	Weighted Average Fair Value at Date of Grant
Options Exercisable at December 31, 2013	—	$ —
Vested	13,915	7.46
Exercised	—	—
Options Exercisable at December 31, 2014	13,915	$7.46

	Exercisable Options	Fair Value at Date of Grant	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
As of December 31, 2014	13,915	$0.1 million	$23.58	8.3 years

The following table sets forth compensation expense for the year ended December 31, 2014 and the period ended December 31, 2013:

	Year Ended December 31, 2014	Period Ended December 31, 2013
Restricted Stock	$ 6.4	$5.3
Performance and market based awards	3.7	0.8
Stock options	0.2	0.1
Total compensation expense	$10.3	$6.2

16. 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 and combined 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.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

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.

The following related party transactions are based on agreements and arrangements that were in place during the respective periods. Revenues and expenses for the periods presented were as follows:

	Successor		Predecessor	
(amounts in millions)	December 31, 2014	January 24, 2013 to December 31, 2013	January 1, 2013 to January 23, 2013	December 31, 2012
Revenue:				
Data center colocation agreement provided to CBT and CBTS	$ 6.4	$ 5.6	$0.3	$ 5.4
229 West 7th Street lease provided to CBT	2.0	1.7	—	—
Goldcoast Drive/Parkway (Mason) lease	0.4	0.3	—	0.3
Transition services provided to CBTS (network interfaces)	0.4	0.6	0.1	0.5
Data center leases provided to CBTS	13.6	13.1	—	14.3
Total revenue	$22.8	$21.3	$0.4	$20.5
Operating costs and expenses:				
Transition services agreement by CBTS	$ 0.8	$ 1.3	$ —	$ 1.5
Charges for services provided by CBT (connectivity)	1.0	1.0	0.1	0.7
209 West 7th Street rent provided by CBT	0.2	0.1	—	0.1
Management fees with CBI	—	0.1	—	2.5
Allocated employee benefit plans by CBI	—	—	0.2	3.5
Allocated centralized insurance costs by CBI	—	—	0.1	0.4
Selling and marketing services provided by CBT & CBTS	—	—	—	0.3
Interest expense on note with CBI	—	—	—	7.0
Loss on sale of receivables	—	—	—	3.2
Total operating costs and expenses	$ 2.0	$ 2.5	$0.4	$19.2

As of December 31, 2014 and 2013, the amounts receivable and payable to CBI were as follows:

	Successor	Successor
(amounts in millions)	As of December 31, 2014	As of December 31, 2013
Accounts receivable from CBI	$0.8	$0.6
Accounts payable	$1.7	$1.7
Dividends payable	5.6	6.8
Accounts payable to CBI	$7.3	$8.5

The dividends payable as of December 31, 2014 reflect the balance due to CBI related to the dividend declared on November 4, 2014, of $0.21 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 former 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"). For the years ended December 31, 2014 and December 31, 2013, CyrusOne paid Skadden $1.1 million and $0.2 million, respectively, for services rendered.

Our director, Lynn A. Wentworth, is a member of the board of directors of CBI, and serves as the chair of its audit committee.

17. Restructuring Charges

For the years ended December 31, 2014 and 2012, we incurred no restructuring charges. For the period ended December 31, 2013, we incurred restructuring charges of $0.7 million that were a result of moving certain administrative functions to the corporate office. All restructuring charges have been settled by December 31, 2014.

18. Income Taxes

CyrusOne Inc., elected to be taxed as a REIT under the Code, as amended, commencing with our taxable year ended December 31, 2013. To remain qualified 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 TRSs. 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 year ended December 31, 2014 and the periods ended December 31, 2013 and January 23, 2013 was $1.4 million, $1.9 million and $0.4 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, 2014, our total Texas margin tax payable was $1.7 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

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

valuation allowance) and liabilities were accrued, as necessary, for the periods ended December 31, 2014, and December 31, 2013. Historically, we have recorded a full valuation allowance on our foreign net deferred tax assets related to our foreign generated net operating losses due to the uncertainty of their realization. In 2013 and 2014, 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. Accordingly, at December 31, 2014 and at December 31, 2013, the net domestic and foreign deferred tax assets were zero.

In 2014 and 2013, we paid all our dividends in cash. The following table summarizes the taxability of our common stock dividends per share for the year ended December 31, 2014 and the period ended December 31, 2013:

	Year Ended December 31, 2014	Period Ended December 31, 2013
Common Stock dividend per share:		
Ordinary income	$0.45	$0.23
Capital gains	—	—
Return of capital	0.34	0.25
Total dividend	$0.79	$0.48

Common stock dividends are characterized for federal income tax purposes as ordinary income, qualified dividend, capital gains, non-taxable return of capital or a combination of the four. Common stock dividends that exceed our current and accumulated earnings and profits (calculated for tax purposes) constitute a return of capital rather than a dividend and generally reduce the stockholder's basis in the common stock. To the extent that a dividend exceeds both current and accumulated earnings and profits and the stockholder's basis in the common stock, it will generally be treated as a gain from the sale or exchange of that stockholder's common stock. At the beginning of each year, we notify our stockholders of the taxability of the common stock dividends paid during the preceding year.

19. Commitments and Contingencies

Operating Leases

We lease certain data center facilities and equipment from third parties. Operating lease expense was $6.7 million, $6.5 million, $0.2 million and $5.9 million for the year ended December 31, 2014, and the periods ended December 31, 2013 and January 23, 2013, and the year ended December 31, 2012, respectively. Certain of these leases provide for renewal options with fixed rent escalations beyond the initial lease term.

At December 31, 2014, future minimum lease payments required under operating leases having initial or remaining non-cancelable lease terms in excess of one year are as follows:

(amounts in millions)	
2015	$4.6
2016	1.4
2017	0.9
2018	0.2
2019	—
Thereafter	0.9
Total	$8.0

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

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, 2014 and 2013, no accruals for performance guarantees were required.

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 and contracts related to construction of data center facilities and equipment. 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, 2014, the minimum commitments for these arrangements were $19.9 million.

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.

20. Guarantors

CyrusOne Inc.

CyrusOne LP and CyrusOne Finance Corp., as "LP Co-issuer" and "Finance Co-issuer," respectively (together, the "Issuers"), had $374.8 million aggregate principal amount of senior notes outstanding at December 31, 2014 and $525 million as of December 31, 2013. 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,

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

- 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.

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, 2014, CyrusOne TRS Inc. had not incurred any obligations or recorded any material transactions for the period ended December 31, 2014, and January 23, 2013.

As of December 31, 2014, the Non-Guarantors consist of 100% owned subsidiaries, which conduct operations in the United Kingdom and Singapore.

The following schedules present the financial information for the year ended December 31, 2014, periods ended December 31, 2013 and January 23, 2013, and the year ended December 31, 2012, 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.

(1) — During 2014, the Company revised its Guarantor Condensed Consolidated Balance Sheets, Condensed Consolidating Statements of Income, and Condensed Consolidating Statement of Cash Flows to correct an immaterial error in the prior periods. Previously, the Investment in Subsidiaries and Equity Loss related to Investment in Subsidiaries reported by the Parent Guarantors included amounts related to noncontrolling interests. Those noncontrolling interest amounts are now reported in the Eliminations/ Consolidations column. The impact of those changes was to (a) reduce the investments in subsidiaries and total equity for the Parent Guarantor by $455.6 million as of December 31, 2013; (b) reduce the equity loss related to investment in subsidiaries and noncontrolling interest in net loss for the Parent Guarantor by $10.3 million for the period ended December 31, 2013; (c) reduce the net loss and the equity loss related to investment in subsidiaries for the Parent Guarantor by $10.3 million in the statement of cash flows for the period ended December 31, 2013; and (d) reduce the dividends paid by the Parent Guarantor by $20.4 million in the statement of cash flows for the period ended December 31, 2013. These errors had no effect on the consolidated financials of either CyrusOne Inc. or CyrusOne LP and is not material to the consolidated financial statements taken as a whole.

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

Consolidating Balance Sheets

	As of December 31, 2014							
(amounts in millions)	Parent Guarantor	General Partner	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations/ Consolidations	Total
Land	$ —	$ —	$ —	$ —	$ 89.7	$ —	$ —	$ 89.7
Buildings and improvements	—	—	—	—	770.9	41.7	—	812.6
Equipment	—	—	—	—	348.3	0.8	—	349.1
Construction in progress	—	—	—	—	124.8	—	2.2	127.0
Subtotal	—	—	—	—	1,333.7	42.5	2.2	1,378.4
Accumulated depreciation	—	—	—	—	(319.7)	(7.3)	—	(327.0)
Net investment in real estate	—	—	—	—	1,014.0	35.2	2.2	1,051.4
Cash and cash equivalents	—	—	—	—	33.5	3.0	—	36.5
Investment in subsidiaries	458.5	7.1	734.3	—	3.6	—	(1,203.5)	—
Rent and other receivables	—	—	—	—	57.9	3.0	—	60.9
Intercompany receivable	—	—	642.9	—	—	—	(642.9)	—
Goodwill	—	—	—	—	276.2	—	—	276.2
Intangible assets, net	—	—	—	—	68.9	—	—	68.9
Due from affiliates	—	—	—	—	0.8	—	—	0.8
Other assets	—	—	15.5	—	73.1	3.2	—	91.8
Total assets	$458.5	$7.1	$1,392.7	$ —	$1,528.0	$44.4	$(1,844.2)	$1,586.5
Accounts payable and accrued expenses	$ —	$ —	$ 12.5	$ —	$ 56.9	$ 0.5	$ —	$ 69.9
Deferred revenue	—	—	—	—	65.1	0.6	—	65.7
Intercompany payable	—	—	—	—	642.9	—	(642.9)	—
Due to affiliates	—	—	5.6	—	1.7	—	—	7.3
Capital lease obligations	—	—	—	—	6.2	7.2	—	13.4
Long-term debt	—	—	659.8	—	—	—	—	659.8
Other financing arrangements	—	—	—	—	20.9	32.5	—	53.4
Total liabilities	—	—	677.9	—	793.7	40.8	(642.9)	869.5
Total shareholders' equity	458.5	7.1	714.8	—	734.3	3.6	(1,457.6)	460.7
Noncontrolling interest	—	—	—	—	—	—	256.3	256.3
Total equity	458.5	7.1	714.8	—	734.3	3.6	(1,201.3)	717.0
Total liabilities and equity	$458.5	$7.1	$1,392.7	$ —	$1,528.0	$44.4	$(1,844.2)	$1,586.5

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

	As of December 31, 2013							
(amounts in millions)	Parent Guarantor[1]	General Partner	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations/ Consolidations	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	322.0	7.8	795.0	—	2.1	—	(1,126.9)	—
Rent and other receivables	—	—	—	—	40.3	0.9	—	41.2
Intercompany receivable	—	—	508.1	—	0.2	—	(508.3)	—
Goodwill	—	—	—	—	276.2	—	—	276.2
Intangible assets, net	—	—	—	—	85.9	—	—	85.9
Due from affiliates	—	—	—	—	0.6	—	—	0.6
Other assets	—	—	14.1	—	53.0	3.2	—	70.3
Total assets	$322.0	$7.8	$1,317.2	$ —	$1,448.7	$46.3	$(1,635.2)	$1,506.8
Accounts payable and accrued expenses	$ —	$ —	$ 7.8	$ —	$ 58.6	$ 0.4	$ —	$ 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
Other financing arrangements	—	—	—	—	21.6	34.7	—	56.3
Total liabilities	—	—	539.6	—	653.7	44.2	(508.3)	729.2
Total shareholders' equity	322.0	7.8	777.6	—	795.0	2.1	(1,582.5)	322.0
Noncontrolling interest	—	—	—	—	—	—	455.6	455.6
Total equity	322.0	7.8	777.6	—	795.0	2.1	(1,126.9)	777.6
Total liabilities and equity	$322.0	$7.8	$1,317.2	$ —	$1,448.7	$46.3	$(1,635.2)	$1,506.8

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

Consolidating Statements of Operations

	Year Ended December 31, 2014							
(amounts in millions)	Parent Guarantor	General Partner	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations/ Consolidations	Total
Revenue	$ —	$ —	$ —	$—	$325.1	$ 5.8	$ —	$330.9
Costs and expenses:								
Property operating expenses	—	—	—	—	121.9	2.6	—	124.5
Sales and marketing	—	—	—	—	12.6	0.2	—	12.8
General and administrative	—	—	—	—	34.2	0.4	—	34.6
Depreciation and amortization	—	—	—	—	115.0	3.0	—	118.0
Transaction costs	—	—	—	—	1.0	—	—	1.0
Total costs and expenses	—	—	—	—	284.7	6.2	—	290.9
Operating income (loss)	—	—	—	—	40.4	(0.4)	—	40.0
Interest expense	—	—	38.2	—	—	3.5	(2.2)	39.5
Loss on extinguishment of debt	—	—	13.6	—	—	—	—	13.6
(Loss) income before income taxes	—	—	(51.8)	—	40.4	(3.9)	2.2	(13.1)
Income tax expense	—	—	—	—	(1.4)	—	—	(1.4)
Equity (loss) earnings related to investment in subsidiaries	(10.0)	(0.2)	35.1	—	(3.9)	—	(21.0)	—
Net loss	(10.0)	(0.2)	(16.7)	—	35.1	(3.9)	(18.8)	(14.5)
Noncontrolling interest in net loss	—	—	—	—	—	—	(6.7)	(6.7)
Net (loss) income attributed to common shareholders	$(10.0)	$(0.2)	$(16.7)	$—	$ 35.1	$(3.9)	$(12.1)	$ (7.8)

Form 10-K/A

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

	Period Ended December 31, 2013							
(amounts in millions)	Parent Guarantor[1]	General Partner	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations/ Consolidations	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	—	1.8	2.9	—	41.2
Other income	—	—	—	—	(0.1)	—	—	(0.1)
Loss on extinguishment of debt	—	—	—	—	1.3	—	—	1.3
(Loss) income before income taxes	—	—	(36.5)	—	27.5	(4.5)	—	(13.5)
Income tax expense	—	—	—	—	(1.9)	—	—	(1.9)
Equity (loss) earnings related to investment in subsidiaries	(5.3)	(0.2)	20.9	—	(4.5)	—	(10.9)	—
Loss on sale of real estate improvements	—	—	—	—	(0.2)	—	—	(0.2)
Net loss	(5.3)	(0.2)	(15.6)	—	20.9	(4.5)	(10.9)	(15.6)
Noncontrolling interest in net loss	—	—	—	—	—	—	(10.3)	(10.3)
Net (loss) income attributed to common shareholders	$(5.3)	$(0.2)	$(15.6)	$—	$ 20.9	$(4.5)	$ (0.6)	$ (5.3)

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

(amounts in millions)	Period Ended January 23, 2013							
	Parent Guarantor	General Partner	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations/ Consolidations	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	—	0.1	0.1	—	2.5
Loss before income taxes	—	—	(2.3)	—	(17.4)	(0.1)	—	(19.8)
Income tax expense	—	—	—	—	(0.4)	—	—	(0.4)
Equity loss related to investment in subsidiaries	—	—	(17.9)	—	(0.1)	—	18.0	—
Net loss	$ —	$ —	$(20.2)	$—	$ (17.9)	$(0.1)	$18.0	$ (20.2)

(amounts in millions)	Year Ended December 31, 2012							
	Parent Guarantor	General Partner	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations/ Consolidations	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 (loss) income	—	—	(5.7)	—	24.3	(2.3)	—	16.3
Interest expense	—	—	4.2	—	35.0	2.6	—	41.8
Loss before income taxes	—	—	(9.9)	—	(10.7)	(4.9)	—	(25.5)
Income tax benefit	—	—	—	—	5.1	—	—	5.1
Equity loss related to investment in subsidiaries	—	—	(10.4)	—	(4.9)	—	15.3	—
Gain on sale of real estate improvements	—	—	—	—	0.1	—	—	0.1
Net loss	$ —	$ —	$(20.3)	$—	$ (10.4)	$(4.9)	$15.3	$ (20.3)

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

Consolidating Statements of Cash Flows

(amounts in millions)	Year Ended December 31, 2014							
	Parent Guarantor	General Partner	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations/ Consolidations	Total
Net (loss) income	$ (10.0)	(0.2)	$ (16.7)	$—	35.1	$(3.9)	$ (18.8)	$ (14.5)
Equity earnings (loss) related to investment in subsidiaries	10.0	0.2	(35.1)	—	3.9	—	21.0	—
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:								
Depreciation and amortization	—	—	—	—	115.0	3.0	—	118.0
Stock-based compensation expense	—	—	—	—	10.3	—	—	10.3
Noncash interest expense	—	—	3.4	—	—	—	—	3.4
Provision for bad debt write off	—	—	—	—	0.8	—	—	0.8
Loss on extinguishment of debt	—	—	13.6	—	—	—	—	13.6
Changes in operating assets and liabilities, net of effects of acquisitions:								
Rent receivables and other assets	—	—	0.4	—	(35.3)	(2.1)	—	(37.0)
Accounts payable and accrued expenses	—	—	4.7	—	2.1	0.1	—	6.9
Payables to related parties	—	—	—	—	(0.2)	—	—	(0.2)
Deferred revenue	—	—	—	—	10.0	(0.2)	—	9.8
Net cash (used in) provided by operating activities	—	—	(29.7)	—	141.7	(3.1)	2.2	111.1
Cash flows from investing activities:								
Capital expenditures—other	—	—	—	—	(283.9)	(0.3)	—	(284.2)
Return of investment	25.2	—	97.3	—	(45.4)	—	(77.1)	—
Intercompany receipts	—	—	180.2	—	—	—	(180.2)	—
Intercompany distributions	—	—	(315.0)	—	—	—	315.0	—
Net cash provided by (used in) investing activities	25.2	—	(37.5)	—	(329.3)	(0.3)	57.7	(284.2)
Cash flows from financing activities:								
Issuance of common stock	356.0	—	—	—	—	—	—	356.0
Stock issuance costs	(1.3)	—	—	—	—	—	—	(1.3)
Acquisition of operating partnership units	(355.9)	—	—	—	—	—	—	(355.9)
Dividends paid	(24.0)	—	(50.9)	—	(50.9)	—	74.9	(50.9)
Intercompany borrowings	—	—	—	—	315.0	—	(315.0)	—
Intercompany payments	—	—	—	—	(180.2)	—	180.2	—
Borrowings from revolving credit agreement	—	—	315.0	—	—	—	—	315.0
Payments on revolving credit facility	—	—	(30.0)	—	—	—	—	(30.0)
Payments on senior notes	—	—	(150.2)	—	—	—	—	(150.2)
Payments on capital lease obligations	—	—	—	—	(2.4)	(0.6)	—	(3.0)
Payments on financing obligations	—	—	—	—	(0.7)	(0.2)	—	(0.9)
Payment of debt extinguishment costs	—	—	(12.8)	—	—	—	—	(12.8)
Contributions from/(distributions to) parent, net	—	—	1.3	—	(6.5)	5.2	—	—
Debt issuance costs	—	—	(5.2)	—	—	—	—	(5.2)
Net cash (used in) provided by financing activities	(25.2)	—	67.2	—	74.3	4.4	(59.9)	60.8
Net (decrease) increase in cash and cash equivalents	—	—	—	—	(113.3)	1.0	—	(112.3)
Cash and cash equivalents at beginning of period	—	—	—	—	146.8	2.0	—	148.8
Cash and cash equivalents at end of period	$ —	$ —	$ —	$—	$ 33.5	$ 3.0	$ —	$ 36.5

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

	Period Ended December 31, 2013							
(amounts in millions)	**Parent Guarantor[1]**	**General Partner**	**LP Co-issuer**	**Finance Co-issuer**	**Guarantors**	**Non-Guarantors**	**Eliminations/ Consolidations**	**Total**
Net (loss) income	$ (5.3)	(0.2)	$ (15.6)	$—	20.9	$(4.5)	$ (10.9)	$ (15.6)
Equity earnings (loss) related to investment in subsidiaries	5.3	0.2	(20.9)	—	4.5	—	10.9	—
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:								
Depreciation and amortization	—	—	—	—	87.1	2.8	—	89.9
Stock-based compensation expense	—	—	—	—	6.0	—	—	6.0
Noncash interest expense	—	—	4.0	—	—	—	—	4.0
Provision for bad debt write off	—	—	—	—	0.4	—	—	0.4
Loss on extinguishment of debt	—	—	—	—	1.3	—	—	1.3
Asset impairments	—	—	—	—	2.8	—	—	2.8
Deferred income tax expense	—	—	—	—	0.6	—	—	0.6
Other, net	(7.1)	—	(13.4)	—	(16.2)	—	36.7	—
Changes in operating assets and liabilities, net of effects of acquisitions:								
Rent receivables and other assets	9.4	—	—	—	(9.9)	(3.0)	(12.2)	(15.7)
Accounts payable and accrued expenses	(2.3)	—	4.8	—	0.2	0.3	(17.6)	(14.6)
Payables to related parties	—	—	6.8	—	18.4	—	(6.8)	18.4
Deferred revenue	—	—	—	—	(0.3)	0.2	—	(0.1)
Net cash provided by (used in) operating activities	—	—	(34.3)	—	115.8	(4.2)	0.1	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	—
Release of restricted cash	—	—	—	—	4.4	—	—	4.4
Return of investment	10.6	—	66.5	—	—	—	(77.1)	—
Other, net	—	—	—	—	(0.2)	—	—	(0.2)
Net cash (used in) provided by investing activities	(326.5)	—	(270.6)	—	(216.7)	—	597.1	(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	(10.6)	—	(31.0)	—	(31.0)	—	41.6	(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)
Net cash provided by (used in) financing activities	326.5	—	304.8	—	236.5	5.2	(597.2)	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							
(amounts in millions)	Parent Guarantor	General Partner	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations/ Consolidations	Total
Net (loss) income	$—	—	$(20.2)	—	$(17.9)	(0.1)	$ 18.0	$(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	—	5.6	0.1	—	5.9
Changes in operating assets and liabilities, net of effects of acquisitions:								
Rent receivables and other assets	—	—	—	—	(9.6)	—	—	(9.6)
Accounts payable and accrued expenses	—	—	2.1	—	18.4	—	—	20.5
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)

(amounts in millions)	Year Ended December 31, 2012 Parent Guarantor	General Partner	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations/ Consolidations	Total
Net (loss) income	$ —	$ —	$ (20.3)	$ —	$ (10.4)	$(4.9)	$ 15.3	$ (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	—	83.9	1.5	—	85.6
Changes in operating assets and liabilities, net of effects of acquisitions:								
Rent receivables and other assets	(7.9)	—	—	—	(15.5)	(0.6)	—	(24.0)
Accounts payable and accrued expenses	0.8	—	4.4	—	(5.5)	(0.3)	—	(0.6)
Increase in deferred revenues	—	—	—	—	3.3	0.5	—	3.8
Net cash (used in) provided by operating activities	(7.1)	—	(5.3)	—	60.7	(3.8)	—	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)	—	508.1	0.1	—	—
Other, net	—	—	—	—	0.1	—	—	0.1
Net cash (used in) provided by investing activities	—	—	(508.2)	—	255.8	(0.2)	—	(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
Payment on capital lease obligations	—	—	—	—	(8.4)	(0.6)	—	(9.0)
Debt issuance costs	—	—	(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	—	(301.3)	4.7	—	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)

CyrusOne LP

CyrusOne LP and CyrusOne Finance Corp., as "LP Co-issuer" and "Finance Co-issuer," respectively (together, the "Issuers"), had $374.8 million aggregate principal amount of senior notes outstanding at December 31, 2014 and $525.0 million as of December 31, 2013. 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, 2014, 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, 2014					
(amounts in millions)	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations/ Consolidations	Total
Land	$ —	$ —	$ 89.7	$ —	$ —	$ 89.7
Buildings and improvements	—	—	770.9	41.7	—	812.6
Equipment	—	—	348.3	0.8	—	349.1
Construction in progress	—	—	124.8	—	2.2	127.0
Subtotal	—	—	1,333.7	42.5	2.2	1,378.4
Accumulated depreciation	—	—	(319.7)	(7.3)	—	(327.0)
Net investment in real estate	—	—	1,014.0	35.2	2.2	1,051.4
Cash and cash equivalents	—	—	33.5	3.0	—	36.5
Investment in subsidiaries	734.3	—	3.6	—	(737.9)	—
Rent and other receivables	—	—	57.9	3.0	—	60.9
Intercompany receivable	642.9	—	—	—	(642.9)	—
Goodwill	—	—	276.2	—	—	276.2
Intangible assets, net	—	—	68.9	—	—	68.9
Due from affiliates	—	—	0.8	—	—	0.8
Other assets	15.5	—	73.1	3.2	—	91.8
Total assets	$1,392.7	$ —	$1,528.0	$44.4	$(1,378.6)	$1,586.5
Accounts payable and accrued expenses	$ 12.5	$ —	$ 56.9	$ 0.5	$ —	$ 69.9
Deferred revenue	—	—	65.1	0.6	—	65.7
Intercompany payable	—	—	642.9	—	(642.9)	—
Due to affiliates	5.6	—	1.7	—	—	7.3
Capital lease obligations	—	—	6.2	7.2	—	13.4
Long-term debt	659.8	—	—	—	—	659.8
Other financing arrangements	—	—	20.9	32.5	—	53.4
Total liabilities	677.9	—	793.7	40.8	(642.9)	869.5
Total partnership capital	714.8	—	734.3	3.6	(735.7)	717.0
Total liabilities and parent's net investment	$1,392.7	$ —	$1,528.0	$44.4	$(1,378.6)	$1,586.5

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

	As of December 31, 2013					
(amounts in millions)	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations/ Consolidations	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	—	0.2	—	(508.3)	—
Goodwill	—	—	276.2	—	—	276.2
Intangible assets, net	—	—	85.9	—	—	85.9
Due from affiliates	—	—	0.6	—	—	0.6
Other assets	14.1	—	53.0	3.2	—	70.3
Total assets	$1,317.2	$ —	$1,448.7	$46.3	$(1,305.4)	$1,506.8
Accounts payable and accrued expenses	$ 7.8	$ —	$ 58.6	$ 0.4	$ —	$ 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
Other financing arrangements	—	—	21.6	34.7	—	56.3
Total liabilities	539.6	—	653.7	44.2	(508.3)	729.2
Partnership capital	777.6	—	795.0	2.1	(797.1)	777.6
Total liabilities and partnership capital	$1,317.2	$ —	$1,448.7	$46.3	$(1,305.4)	$1,506.8

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

Consolidating Statements of Operations

	Year Ended December 31, 2014					
(amounts in millions)	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations/ Consolidations	Total
Revenue	$ —	$ —	$325.1	$ 5.8	$ —	$330.9
Costs and expenses:						
Property operating expenses	—	—	121.9	2.6	—	124.5
Sales and marketing	—	—	12.6	0.2	—	12.8
General and administrative	—	—	34.2	0.4	—	34.6
Depreciation and amortization	—	—	115.0	3.0	—	118.0
Transaction costs	—	—	1.0	—	—	1.0
Total costs and expenses	—	—	284.7	6.2	—	290.9
Operating income (loss)	—	—	40.4	(0.4)	—	40.0
Interest expense (income)	38.2	—	—	3.5	(2.2)	39.5
Loss on extinguishment of debt	13.6	—	—	—	—	13.6
(Loss) income before income taxes	(51.8)	—	40.4	(3.9)	2.2	(13.1)
Income tax expense	—	—	(1.4)	—	—	(1.4)
Equity earnings (loss) related to investment in subsidiaries	35.1	—	(3.9)	—	(31.2)	—
Net (loss) income	$(16.7)	$ —	$ 35.1	$(3.9)	$(29.0)	$ (14.5)

	Period Ended December 31, 2013					
(amounts in millions)	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations/ Consolidations	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	—	1.8	2.9	—	41.2
Other income	—	—	(0.1)	—	—	(0.1)
Loss on extinguishment of debt	—	—	1.3	—	—	1.3
(Loss) income before income taxes	(36.5)	—	27.5	(4.5)	—	(13.5)
Income tax expense	—	—	(1.9)	—	—	(1.9)
Equity earnings (loss) related to investment in subsidiaries	20.9	—	(4.5)	—	(16.4)	—
(Loss) income from continuing operations	(15.6)	—	21.1	(4.5)	(16.4)	(15.4)
Loss on sale of real estate improvements	—	—	(0.2)	—	—	(0.2)
Net (loss) income	$(15.6)	$ —	$ 20.9	$(4.5)	$(16.4)	$ (15.6)

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

	Period Ended January 23, 2013					
(amounts in millions)	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations/ Consolidations	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	—	0.1	0.1	—	2.5
Loss before income taxes	(2.3)	—	(17.4)	(0.1)	—	(19.8)
Income tax expense	—	—	(0.4)	—	—	(0.4)
Equity loss related to investment in subsidiaries	(17.9)	—	(0.1)	—	18.0	—
Net loss	$(20.2)	$ —	$ (17.9)	$(0.1)	$18.0	$ (20.2)

	Year Ended December 31, 2012					
(amounts in millions)	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations/ Consolidations	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 (loss) income	(5.7)	—	24.3	(2.3)	—	16.3
Interest expense	4.2	—	35.0	2.6	—	41.8
Loss before income taxes	(9.9)	—	(10.7)	(4.9)	—	(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)	—	(10.5)	(4.9)	15.3	(20.4)
Gain on sale of real estate improvements	—	—	0.1	—	—	0.1
Net loss	$(20.3)	$ —	$ (10.4)	$(4.9)	$15.3	$ (20.3)

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

Consolidating Statements of Cash Flows

	Year Ended December 31, 2014					
(amounts in millions)	**LP Co-issuer**	**Finance Co-issuer**	**Guarantors**	**Non-Guarantors**	**Eliminations/ Consolidations**	**Total**
Net (loss) income	$ (16.7)	$ —	35.1	$(3.9)	$ (29.0)	$ (14.5)
Equity earnings (loss) related to investment in subsidiaries	(35.1)	—	3.9	—	31.2	—
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:						
Depreciation and amortization	—	—	115.0	3.0	—	118.0
Stock-based compensation expense	—	—	10.3	—	—	10.3
Noncash interest expense	3.4	—	—	—	—	3.4
Provision for bad debt write off	—	—	0.8	—	—	0.8
Loss on extinguishment of debt	13.6	—	—	—	—	13.6
Changes in operating assets and liabilities, net of effects of acquisitions:						
Rent receivables and other assets	0.4	—	(35.3)	(2.1)	—	(37.0)
Accounts payable and accrued expenses	4.7	—	2.1	0.1	—	6.9
Payables to related parties	—	—	(0.2)	—	—	(0.2)
Deferred revenue	—	—	10.0	(0.2)	—	9.8
Net cash (used in) provided by operating activities	(29.7)	—	141.7	(3.1)	2.2	111.1
Cash flows from investing activities:						
Capital expenditures—other	—	—	(283.9)	(0.3)	—	(284.2)
Return of investment	97.3	—	(45.4)	—	(51.9)	—
Intercompany receipts	180.2	—	—	—	(180.2)	—
Intercompany distributions	(315.0)	—	—	—	315.0	—
Net cash provided by (used in) investing activities	(37.5)	—	(329.3)	(0.3)	82.9	(284.2)
Cash flows from financing activities:						
Issuance of partnership units	0.1	—	—	—	—	0.1
Dividends paid	(50.9)	—	(50.9)	—	50.9	(50.9)
Intercompany borrowings	—	—	315.0	—	(315.0)	—
Intercompany payments	—	—	(180.2)	—	180.2	—
Borrowings from revolving credit agreement	315.0	—	—	—	—	315.0
Payments on revolving credit facility	(30.0)	—	—	—	—	(30.0)
Payments on senior notes	(150.2)	—	—	—	—	(150.2)
Payments on capital leases	—	—	(2.4)	(0.6)	—	(3.0)
Other financing arrangements	—	—	(0.7)	(0.2)	—	(0.9)
Debt extinguishment costs	(12.8)	—	—	—	—	(12.8)
Contributions (distributions) from parent guarantor	1.2	—	(6.5)	5.2	(1.2)	(1.3)
Debt issuance costs	(5.2)	—	—	—	—	(5.2)
Net cash provided by (used in) financing activities	67.2	—	74.3	4.4	(85.1)	60.8
Net (decrease) increase in cash and cash equivalents	—	—	(113.3)	1.0	—	(112.3)
Cash and cash equivalents at beginning of period	—	—	146.8	2.0	—	148.8
Cash and cash equivalents at end of period	$ —	$ —	$ 33.5	$ 3.0	$ —	$ 36.5

CyrusOne Inc. and CyrusOne LP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS—(continued)

(amounts in millions)	Period Ended December 31, 2013					
	LP (1) Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations/ Consolidations	Total
Net (loss) income	$ (15.6)	$ —	$ 20.9	$(4.5)	$ (16.4)	$ (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:						
Depreciation and amortization	—	—	87.1	2.8	—	89.9
Stock-based compensation expense	—	—	6.0	—	—	6.0
Noncash interest expense	4.0	—	—	—	—	4.0
Provision for bad debt write off	—	—	0.4	—	—	0.4
Loss on extinguishment of debt	—	—	1.3	—	—	1.3
Asset impairments	—	—	2.8	—	—	2.8
Deferred income tax expense	—	—	0.6	—	—	0.6
Other, net	(13.4)	—	(16.2)	—	29.6	—
Changes in operating assets and liabilities, net of effects of acquisitions:						
Rent receivables and other assets	—	—	(9.9)	(3.0)	(2.8)	(15.7)
Accounts payable and accrued expenses	4.8	—	0.2	0.3	(19.9)	(14.6)
Payables to related parties	6.8	—	18.4	—	(6.8)	18.4
Deferred revenue	—	—	(0.3)	0.2	—	(0.1)
Net cash provided by (used in) operating activities	(34.3)	—	115.8	(4.2)	0.1	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	—	—	—	(66.5)	—
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)	—	(216.7)	—	270.6	(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)
Net cash provided by (used in) financing activities	304.8	—	236.5	5.2	(270.7)	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)

	Period Ended January 23, 2013					
(amounts in millions)	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations/ Consolidations	Total
Net (loss) income	$(20.2)	$ —	$(17.9)	$(0.1)	$ 18.0	$(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	—	5.6	0.1	—	5.9
Changes in operating assets and liabilities, net of effects of acquisitions:						
Rent receivables and other assets	—	—	(9.6)	—	—	(9.6)
Accounts payable and accrued expenses	2.1	—	18.4	—	—	20.5
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					
(amounts in millions)	LP Co-issuer	Finance Co-issuer	Guarantors	Non-Guarantors	Eliminations/ Consolidations	Total
Net (loss) income	$ (20.3)	$ —	$ (10.4)	$(4.9)	$ 15.3	$ (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	—	83.9	1.5	—	85.6
Changes in operating assets and liabilities, net of effects of acquisitions:						
Rent receivables and other assets	—	—	(15.5)	(0.6)	—	(16.1)
Accounts payable and accrued expenses	4.4	—	(5.5)	(0.3)	—	(1.4)
Payables to related parties	—	—	3.3	0.5	—	3.8
Net cash (used in) provided by operating activities	(5.3)	—	60.7	(3.8)	—	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)	—	508.1	0.1	—	—
Other, net	—	—	0.1	—	—	0.1
Net cash (used in) provided by investing activities	(508.2)	—	255.8	(0.2)	—	(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
Payment on capital lease obligations	—	—	(8.4)	(0.6)	—	(9.0)
Debt issuance costs	(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	—	(301.3)	4.7	—	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)

21. Quarterly Financial Information (Unaudited)

The table below reflects the unaudited selected quarterly information for the years ended December 31, 2014 and 2013:

(dollars in millions, except per share amounts)	2014 First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue	$ 77.5	$ 81.7	$ 84.8	$ 86.9	$330.9
Operating income	11.8	7.4	9.6	11.2	40.0
Net income (loss)	0.7	(3.6)	0.2	(11.8)	(14.5)
Net income (loss) attributed to common shareholders	0.2	(1.1)	0.1	(7.0)	(7.8)
Basic and diluted loss per share[a]	—	(0.06)	—	(0.19)	(0.25)

	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 (loss) income	(17.3)	5.8	5.6	8.5	9.0	11.6
Net loss	(20.2)	(2.8)	(6.8)	(2.2)	(3.8)	(35.8)
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)

(a) The basic and diluted income (loss) per share for 2014 was $(0.30) compared to $(0.25) due to the impact of the 16 million shares of common stock issued during the secondary offering in June 2014.

22. Subsequent Event

On February 19, 2015, CyrusOne LLC entered into an agreement with Met Center Partners to purchase Austin Met 2 for $17.3 million. The purchase was funded with proceeds from the credit agreement.

Form 10-K/A

Schedule II.

Valuation and Qualifying Accounts

(dollars in millions)	Beginning of Period	Charge to Expenses	Deductions/ (Additions)	End of Period
Allowance for Doubtful Accounts				
2014	$0.5	$0.8	$ 0.3	$1.0
2013	0.3	0.4	0.2	0.5
2012	—	0.1	(0.2)	0.3
Deferred Tax Valuation Allowance				
2014	$3.6	$2.1	$ —	$5.7
2013	1.9	1.7	—	3.6
2012	0.3	1.6	—	1.9

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.

(dollars in millions)	As of December 31, 2014										
	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	$—	$—	$ 68.4	$ 12.7	$ 0.9	$110.6	$ 12.7	$ 69.5	1999
Parkway Dr., Mason, OH (Mason)	—	—	—	—	20.2	0.9	—	20.2	0.9	10.8	2004
Industrial Rd., Florence, KY (Florence)	2.2	7.7	—	—	33.7	3.0	2.2	41.4	3.0	18.6	2005
Goldcoast Dr., Cincinnati, OH (Goldcoast)	0.6	—	—	—	6.7	0.1	0.6	6.7	0.1	2.2	2007
Knightsbridge Dr., Hamilton, OH (Hamilton)	—	9.5	—	—	39.7	3.7	—	49.2	3.7	20.3	2007
E. Monroe St., South Bend, IN (Monroe St.)	—	—	—	—	2.5	0.1	—	2.5	0.1	1.1	2007
Springer St., Lombard, IL (Lombard)	0.7	3.2	—	—	1.5	5.7	0.7	4.7	5.7	1.3	2008
Crescent Circle, South Bend, IN (Blackthorn)	—	1.1	—	—	2.2	0.1	—	3.3	0.1	1.3	2008
Kingsview Dr., Lebanon, OH (Lebanon)	4.0	12.3	—	—	64.7	5.5	4.0	77.0	5.5	21.4	2008
McAuley Place, Blue Ash, OH (Blue Ash)	—	2.6	—	—	(2.0)	0.1	—	0.6	0.1	0.2	2009
Westway Park Blvd., Houston, TX (Houston West 1)	1.4	21.4	0.1	—	63.0	43.7	1.4	84.4	43.8	39.6	2010
Westway Park Blvd., Houston, TX (Houston West 2)	2.0	—	—	—	22.5	45.1	2.0	22.5	45.1	8.0	2013
Westway Park Blvd., Houston, TX (Houston West 3)	18.3	—	—	0.1	—	—	18.4	—	—	—	2013
Southwest Fwy., Houston, TX (Galleria)	—	56.0	2.0	—	12.6	13.0	—	68.6	15.0	29.4	2010
E. Ben White Blvd., Austin, TX (Austin 1)	—	11.9	0.2	—	10.6	1.0	—	22.5	1.2	8.2	2010
S. State Highway 121 Business, Lewisville, TX (Lewisville)	—	46.2	2.2	—	30.5	20.6	—	76.7	22.8	37.5	2010
Marsh Lane, Carrollton, TX (Marsh Ln)	—	—	—	—	0.1	0.5	—	0.1	0.5	0.3	2010
Midway Rd., Carrollton, TX (Midway)	—	1.8	—	—	0.2	0.4	—	2.0	0.4	2.2	2010
W. Frankford Rd., Carrollton, TX (Carrollton)	16.1	—	—	—	51.6	85.3	16.1	51.6	85.3	17.4	2012
Bryan St., Dallas, TX (Bryan St)	—	0.1	—	—	—	0.2	—	0.1	0.2	0.1	2010
North Freeway, Houston, TX (Greenspoint)	—	—	—	—	1.3	—	—	1.3	—	1.3	2010
South Ellis Street, Chandler, AZ (Phoenix 1)	15.0	—	—	—	56.4	43.9	14.8	56.4	43.9	11.0	2011
South Ellis Street, Chandler, AZ (Phoenix 2)	—	—	—	—	13.2	21.8	—	13.2	21.8	0.7	2014
Westover Hills Blvd., San Antonio, TX (San Antonio 1)	4.6	3.0	—	—	29.1	32.4	4.6	32.1	32.4	10.0	2011
Westover Hills Blvd., San Antonio, TX (San Antonio 2)	6.7	—	—	0.3	—	—	7.0	—	—	—	2013
Metropolis Dr., Austin, TX (Austin 2)	2.0	—	—	—	23.2	4.0	2.0	23.2	4.0	7.2	2011
Kestral Way (London)	—	16.5	—	—	16.2	0.7	—	32.7	0.7	4.4	2011
Jurong East (Singapore)	—	9.0	—	—	—	0.1	—	9.0	0.1	3.0	2011
Ridgetop Circle, Sterling, VA (Northern VA)	6.9	—	—	0.1	—	—	7.0	—	—	—	2013
Metropolis Dr., Austin, TX (Austin 3)	7.9	—	—	0.1	—	—	8.0	—	—	—	2013
	$89.3	$244.5	$4.5	$0.6	$568.1	$344.6	$89.7	$812.6	$349.1	$327.0	

The aggregate cost of the total properties for federal income tax purposes was $1,725.0 million at December 31, 2014.

Historical Cost and Accumulated Depreciation and Amortization

The following table reconciles the historical cost and accumulated depreciation for the years ended December 31, 2014, 2013 and 2012.

(amounts in millions)	Years Ended December 31, 2014	2013	2012
Property			
Balance—beginning of period	$1,120.5	$ 883.6	$660.2
Disposals	(0.1)	(8.5)	(1.2)
Impairments	—	(4.0)	(17.1)
Additions (acquisitions and improvements)	258.0	249.4	241.7
Balance, end of period	$1,378.4	$1,120.5	$883.6
Accumulated Depreciation			
Balance—beginning of period	$ 236.7	$ 176.7	$131.2
Disposals	—	(9.3)	(1.2)
Impairments	—	(0.9)	(5.3)
Additions (depreciation and amortization expense)	90.3	70.2	52.0
Balance, end of period	$ 327.0	$ 236.7	$176.7

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 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).
(4.3)	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).
(4.4)	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).
(4.5)	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).
(4.6)	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).
(4.7)	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).
(4.8)	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).
(4.9)	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).
(4.10)	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).
(4.11)	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).

Exhibit Number	Description
(4.12)	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).
(4.13)	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).
(4.14)	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).
(4.15)	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)*	Second Amendment to Credit Agreement dated as of June 23, 2014, among Cincinnati Bell Inc., an Ohio corporation, the subsidiary guarantors party thereto, the Lenders party thereto and Bank of America, N.A.
(10.5)	Third Amendment to Credit Agreement dated as of September 30, 2014, 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 30, 2014, File No. 1-8519).
(10.6)	Fourth Amendment to Credit Agreement dated as of November 5, 2014, 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 5, 2014, File No. 1-8519).
(10.7)	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).
(10.8)	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).
(10.9)	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).

Exhibit Number	Description
(10.10)	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).
(10.11)	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).
(10.12)	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).
(10.13)	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).
(10.14)	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 of Report June 3, 2013, File No. 1-8519).
(10.15)	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 (Exhibit 10.16 to Annual Report on Form 10-K for the year ended December 31, 2013, File No. 1-8519).
(10.16)	Sixth Amendment to Amended and Restated Receivables Purchase Agreement, dated as of June 2, 2014, 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 of Report June 2, 2014, File No. 1-8519).
(10.17)*	Seventh Amendment to Amended and Restated Receivables Purchase Agreement, dated as of September 30, 2014, 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.
(10.18)	License Purchase Agreement dated as of April 6, 2014 among Cincinnati Bell Wireless, LLC, an Ohio limited liability company, and Cellco Partnership, a Delaware general partnership doing business as Verizon Wireless (Exhibit 10.1 to Current Report on Form 8-K, date of Report April 7, 2014, File No. 1-8519).
(10.19)	Network Asset Purchase Agreement dated as of April 6, 2014 among Cincinnati Bell Wireless, LLC, an Ohio limited liability company, and Cellco Partnership, a Delaware general partnership doing business as Verizon Wireless (Exhibit 10.2 to Current Report on Form 8-K, date of Report April 7, 2014, File No. 1-8519).
(10.20)	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).
(10.21)	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).

Exhibit Number	Description
(10.22)	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).
(10.23)	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).
(10.24)	Amendment to Cincinnati Bell Management Pension Plan executed December 20, 2013 (Exhibit 10.21 to Annual Report on Form 10-K for the year ended December 31, 2013, File No. 1-8519).
(10.25)	Amendment to Cincinnati Bell Management Pension Plan executed May 16, 2013 (Exhibit 10.22 to Annual Report on Form 10-K for the year ended December 31, 2013, File No. 1-8519).
(10.26)	Amendment to Cincinnati Bell Management Pension Plan executed April 17, 2012 (Exhibit 10.23 to Annual Report on Form 10-K for the year ended December 31, 2013, File No. 1-8519).
(10.27)	Amendment to Cincinnati Bell Management Pension Plan executed December 20, 2011 (Exhibit 10.24 to Annual Report on Form 10-K for the year ended December 31, 2013, File No. 1-8519).
(10.28)	Amendment to Cincinnati Bell Pension Plan executed on December 20, 2013 (Exhibit 10.25 to Annual Report on Form 10-K for the year ended December 31, 2013, File No. 1-8519).
(10.29)	Amendment to Cincinnati Bell Pension Plan executed on April 17, 2012 (Exhibit 10.26 to Annual Report on Form 10-K for the year ended December 31, 2013, File No. 1-8519).
(10.30)	Amendment to Cincinnati Bell Pension Plan executed on November 29, 2011 (Exhibit 10.27 to Annual Report on Form 10-K for the year ended December 31, 2013, File No. 1-8519).
(10.31)	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).
(10.32)	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).
(10.33)	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).
(10.34)	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).
(10.35)	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).
(10.36)	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).
(10.37)	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).
(10.38)	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).
(10.39)	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).
(10.40)	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).

Exhibit Number	Description
(10.41)	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).
(10.42)	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).
(10.43)	Amended and Restated Employment Agreement effective January 1, 2005, between Cincinnati Bell Inc. and Christopher J. Wilson (Exhibit (10)(iii)(A)(10) to Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8519).
(10.44)	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).
(10.45)	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).
(10.46)	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).
(10.47)	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).
(10.48)	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).
(10.49)	Employment Agreement dated as of May 5, 2014 between Cincinnati Bell Inc. and Joshua T. Duckworth (Exhibit 10.1 to Current Report on Form 8-K, date of Report May 5, 2014, 2014, File No. 1-8519).
(10.50)*	Amended and Restated Employment Agreement between Cincinnati Bell Inc. and Thomas E. Simpson dated as of January 27, 2015.
(10.51)*	Amended and Restated Employment Agreement between Cincinnati Bell Inc. and Christopher J. Wilson dated as of January 1, 2015.
(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.
(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 26, 2015).
(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 26, 2015).
(31.3)+	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit Number	Description
(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 26, 2015).
(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 26, 2015).
(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 2014 Form 10-K filed on February 26, 2015.

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 9, 2015

/s/ Leigh R. Fox

Leigh R. Fox
Chief Financial Officer

Date: March 9, 2015

/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 9, 2015
Phillip R. Cox* Phillip R. Cox	Chairman of the Board and Director	March 9, 2015
John W. Eck* John W. Eck	Director	March 9, 2015
Russel P. Mayer* Russel P. Mayer	Director	March 9, 2015
Jakki L. Haussler* Jakki L. Haussler	Director	March 9, 2015
Craig F. Maier* Craig F. Maier	Director	March 9, 2015
Alan R. Schriber* Alan R. Schriber	Director	March 9, 2015
Lynn A. Wentworth* Lynn A. Wentworth	Director	March 9, 2015
John M. Zrno* John M. Zrno	Director	March 9, 2015

*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 Thursday, April 30, 2015.

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℠

221 East Fourth Street
P.O. Box 2301
Cincinnati, Ohio 45202
513.397.9900
www.cincinnatibell.com