Cincinnati Bell℠

2004 Annual Report

Letters to Shareholders	Notice of 2005 Annual Meeting and Proxy Statement	Report on Form 10-K

Contents

As one of the nation's most-respected and best-performing local exchange and wireless providers, Cincinnati Bell provides a wide range of telecommunications products and services to residential and business customers in Ohio, Kentucky and Indiana.

Our employees and operations have long been part of the rich fabric of the Cincinnati metropolitan area. From the early days of telephone connections to the lightning-fast speed of broadband in the 21st century, Cincinnati Bell has proven it can and will deliver the products people and businesses need to live, work and play in a wired world.

Solid in the face of turbulence

I am pleased to report that Cincinnati Bell's strengths—strengths that you and I own—led to a solid performance despite the challenges of an unpredictable and often turbulent marketplace. I consider 2004 to be a testament to the 3,100 dedicated employees who are helping to revitalize and retool this great company. Challenge is nothing new for these men and women. They recognize that in order to beat the competition, you must first compete against yourself.

Gaining flexibility

Fiscal 2004 will be remembered as the year Cincinnati Bell turned the corner while making strides toward strengthening the core business and gaining more financial flexibility. In his letter, President and CEO Jack Cassidy will have more to share about this year's accomplishments, so let me just say this: the key advantage of flexibility is that it affords us choices instead of alternatives, opportunities instead of status quo. Flexibility allows us to think with more aspiration about our business.

Integrity is a way of life

These days we hear a lot of talk about corporate governance and fiduciary responsibility. At Cincinnati Bell, it's a way of life. Throughout 2004, management kept its promise of providing investors and the Board of Directors with a candid and timely view into its financial position and prospects. I am confident and proud of the integrity and forthrightness that underlie this year's performance.

At the same time, the Board demonstrated a level of engagement with management like never before. We held 13 regular meetings, each including productive sessions with management. In October, we welcomed Bob Mahoney to the Board, bringing the total number of directors to ten. As chairman emeritus and retired chairman and CEO of Diebold, Inc., Bob brings significant experience and insight especially from a technology perspective.

Progress will continue

In short, it has been a year of progress for Cincinnati Bell in a number of areas and the Board of Directors firmly believes this progress will continue in 2005 and beyond. We have the management, strategy and expertise in place to invest in the future of our business and it is a great honor and privilege to serve as your Chairman.

Phillip R. Cox
Chairman of the Board

We have always been Cincinnati's communications company. Granted, for much of our history, communications meant telephones, hardwired to an office or home, offering only the opportunity to talk to someone. That's all technology would allow. Well, technology did not stand still and neither did Cincinnati Bell. Today we meet customer needs with wireline, wireless, data and high-speed Internet services. That means our customers can do business and live their lives differently, faster, more efficiently.

A year ago, we promised the Board and shareholders of Cincinnati Bell that we would run this business differently and more efficiently. We set out to deliver against three strategies: de-lever, defend and grow. Most importantly, we said that we would reduce net debt[1] because de-levering the balance sheet represented the best means of returning value to our shareholders. To fund the debt reduction, we vowed to defend and grow our core business and generate healthy free cash flow[2].

Keeping our promises and then some

As we look back on 2004, I am pleased to tell you that we did what we said we were going to do. We reduced net debt by $149 million, exceeding our original forecast of $140 million. In addition, we laid the groundwork for a two-stage refinancing plan that will allow us to replace our highest-cost debt with lower-cost financing. The first stage of our plan was completed in February 2005 and the second stage should be finalized by the first quarter of 2006. Once we complete the refinancing, free cash flow is expected to increase by $20 million to $30 million on an annualized basis.

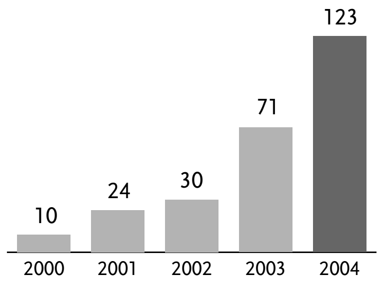
Our actions were not limited to balance sheet improvements. Installation of a long distance switch and successful negotiations with suppliers will save between $15 million and $20 million annually in our long distance business. We also locked in lower roaming rates in our wireless business and favorable transaction terms should we opt to buy Cingular's 20 percent stake in Cincinnati Bell Wireless in the first quarter of 2006.

We heightened our focus on defending and growing our fundamental business in order to produce free cash flow required for debt reduction. Using the strong foundation built by generations of Cincinnati Bell Telephone men and women, we gained momentum in voice, data and Internet services. We achieved deeper penetration of high-speed Internet and wireless services and launched local telephone service in the growing communities north of Cincinnati, including Dayton, Ohio. Our persistence and hard work paid off—we generated free cash flow of $167 million in 2004.

Bundling is "our right to win"

Because of our integrated approach to the market, we can offer consumers bundles of services that meet their communications needs with a single and attractively priced offer. We call this "our right to win" and we use bundling to engage in defensive and offensive plays.

Super Bundle Subscribers
(in thousands)



In 2004, we launched "You Add, We Subtract," an aggressive marketing campaign designed to better leverage our bundled suite of communications services. This campaign helped add 52,000 customers to our Custom Connections® super bundle, which offers combinations of local, long distance, DSL and wireless services on a single bill. At the end of 2004, fully 20 percent of our in-territory households subscribed to a super bundle, nearly double the percentage at the end of 2003.

The strength of the bundle

Defensively, in an environment of increasingly aggressive competition, bundling helps us retain access lines. This was clearly evident in 2004 as the rate of access line decline improved to 1.6 percent, better than our original forecast of 2 percent to 4 percent, a full percentage point lower than the 2003 rate and better than nearly all of our industry peers. Despite heightened competition from cable telephony, we reported an increase of 16,000 in total connections—access lines plus Digital Subscriber Lines (DSL).

Deeper market penetration

Offensively, bundling drives Revenue per Household through customer retention and increases penetration of new products such as DSL and wireless services. At the end of the day, Revenue per Household truly captures the value of a bundling strategy because it demonstrates the willingness of customers to purchase multiple communications services from Cincinnati Bell. In the fourth quarter, Revenue per Household reached a new high of $77, up 5 percent versus the fourth quarter of 2003.

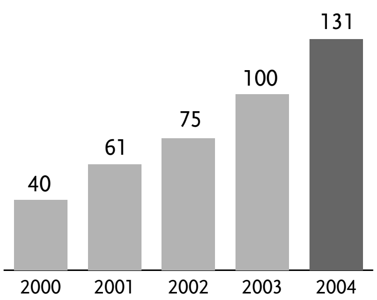
Our goal is to deliver all the communication services that customers want through our wireless and fixed pipelines into customer homes and businesses.

Within the bundle of services we currently offer to customers, DSL and wireless have the highest growth potential.

DSL—faster than ever

High-speed Internet service, or DSL, helps anchor our bundle. In 2004, we nearly quadrupled our DSL speed with no increase in cost and no increase in price to the customer. This helped us grow our DSL subscriber base by 31 percent and achieve 14 percent penetration of access lines. We now have the highest DSL penetration of any publicly traded local exchange carrier and this year our penetration grew faster than any of our regional Bell operating company peers. More evidence that bundling is a strategy that works—more than 78 percent of consumer gross activations of DSL in the fourth quarter came as part of a bundle.

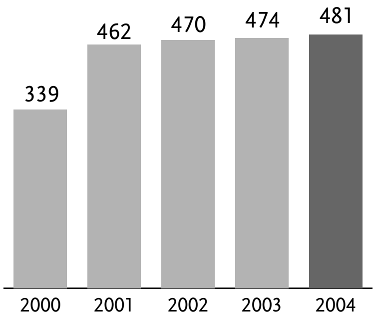
DSL Subscribers
(in thousands)



Staying connected through wireless

In wireless, we generated more gross sales activity as a percent of our licensed POPs, or population, than any other major carrier in the country. Gross wireless activations totaled 243,000 up 27 percent from 2003. Again, the strength of bundling was clear as 76 percent of consumer postpaid activations in Cincinnati came as part of the bundle.

Wireless Subscribers
(in thousands)



Over the past two years, we have upgraded our wireless network from TDMA to GSM technology. In doing so, customers gain access to an exciting collection of wireless handsets and data services. At the end of 2004, 43 percent of our wireless subscribers were on the GSM network and a considerable percentage subscribed to data services, a growing revenue generator for our wireless business. Although long-term benefits from the upgrade are significant, short-term network change-over difficulties did result in higher postpaid churn rates in the second half of the year. However, due to improvements in network quality, postpaid churn began to recede in the fourth quarter. We expect to continue reducing churn throughout 2005.

Completing the bundle

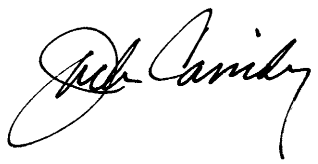
While we must continue to grow our existing businesses, we must also look for opportunities to generate new revenue streams. In 2005, we expect to test market a digital entertainment product, much like digital cable, over phone lines into homes. With our existing facilities, infrastructure and newer technologies, Cincinnati Bell is a credible player in the entertainment market and will offer an all-digital, high-quality experience. Adding entertainment to our product line-up will complete our bundle of services, making us the only provider offering a comprehensive suite of services—local, long distance, wireless, high-speed Internet and entertainment—in the Greater Cincinnati area.

Improving the customer experience

Customers want service that is simple and predictable and Cincinnati Bell has a legacy of unparalleled customer service. We are determined to carry that legacy forward by offering improved service at the lowest possible cost. Over the next two years we will invest in web-based enhanced billing and customer care solutions. This will further automate our operations and make it easier for customers to get the level of service they need, when and where they need it.

A challenging environment, a solid company

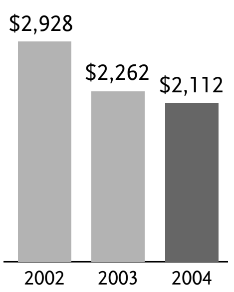
In the midst of an industry marked by consolidation and changing customer behavior, Cincinnati Bell is a healthy and solid company, one that will continue to create value for our shareholders, customers and employees. We have a strong, top-performing local franchise that can and will provide free cash flow needed to reduce net debt while making critical investments to build our competitive profile and anticipate customer needs. We have employees dedicated to satisfying our customers. Their ability to adapt to a changing and dynamic environment and raise the standards of our performance will serve us well in the future. Customer satisfaction is high, our balance sheet is rapidly regaining its strength, and we are poised to lead our region into a powerful new era of communications capability and performance.



John F. Cassidy
President and Chief Executive Officer

Cincinnati Bell's financial performance in 2004 reflects solid execution against our key financial goal to de-lever our business. Cash flow generation was strong and stable in spite of changing customer behavior in the communications industry. As a result, we were able to continue, and even accelerate, debt reduction. A year ago, we promised to reduce net debt by $140 million in 2004. We exceeded that commitment by $9 million, ending the year with a stronger, more flexible balance sheet containing $2.1 billion in debt, 7 percent less than fiscal 2003. In addition, we were able to make the capital investments necessary to operate a world-class communications company and remain a strong competitive force in our market area.

Net Debt
(in millions)



For the year ended December 31, 2004, Cincinnati Bell produced revenue of $1,207 million, operating income of $299 million, and net income of $64 million, or 21 cents per diluted share. These results include two special items, which were recorded in the fourth quarter: a $13 million non-cash income tax benefit and an $11 million restructuring charge. Excluding these items, operating income was $311 million, and net income was $59 million, or 20 cents per share. Capital expenditures were $134 million, or 11 percent of revenue.

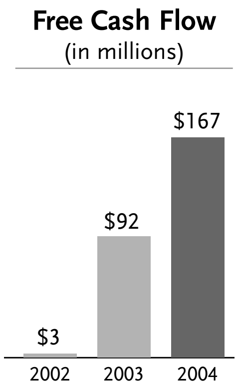
Impact of asset sales

To get a clearer picture of our year-over-year revenue performance, we must take into account the impact of asset sales. Because we sold substantially all the assets in the Broadband segment in 2003, this segment did not generate revenue in 2004. Excluding the impact of this asset sale, 2004 revenue was down $49 million, or 4 percent. Of this decrease, $33 million was due primarily to the sale of non-strategic assets in the Hardware and Managed Services segment in 2004. The remaining decrease was primarily the result of lower local service revenue, partially offset by higher DSL revenue.

With regard to EBITDA[3], or Earnings Before Interest, Taxes, Depreciation and Amortization, the 2004 result of $498 million represented a $25 million decrease versus 2003. Nearly all of this reduction was due to a $23 million increase in customer acquisition expense in the form of advertising and handset subsidies related to higher activations of wireless and DSL subscribers. Excluding this customer acquisition expense, our core profitability in 2004 was essentially unchanged versus 2003, as cost reductions offset the impact of lower revenue. An in-depth discussion of our financial results can be found in the attached Report on Form 10-K.

Following through on commitments

This year, we clearly demonstrated our capability to follow through on financial and operational commitments. We also recently took steps to improve our debt profile through a two-stage refinancing plan. In February 2005, we completed the first stage, which involved replacing $437 million of bank debt with a combination of a new credit facility and corporate bonds. In the second stage, which we expect to complete by the first quarter of 2006, we plan to redeem all of our 16 percent Senior Subordinated Discount Notes using a combination of cash from operations and the new credit facility. At that time, we expect to realize significant cash flow improvement of $20 million to $30 million on an annualized basis.



Going forward, we will continue to execute against a strategy predicated on financial discipline and sustained profitability. In doing so, we will not only build a stable company, but one that is prosperous and viable for years to come.

Brian A. Ross
Chief Financial Officer

Use of Non-GAAP Financial Measures

[1] The company has presented certain information regarding net debt in the preceding discussion because the company believes net debt provides a useful measure of a company's liquidity and financial health. Net debt is defined by the company as the sum of the face amount of short-term and long-term debt, offset by cash and cash equivalents. A detailed reconciliation of the company's net debt to comparable GAAP financial measures is available on the company's web site, www.cincinnatibell.com, under the Investor Relations tab.

[2] The company has presented certain information regarding free cash flow in the preceding discussion because the company believes free cash flow provides a useful measure of a company's operational performance, liquidity and financial health. Free cash flow is defined by the company as SFAS 95 cash provided by (used in) operating, financing and investing activities, less changes in restricted cash in operating activities, issuance and repayment of long-term debt in financing activities, short-term borrowings (repayments) in financing activities and proceeds from the sale of discontinued operations and assets in investing activities. 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. A detailed reconciliation of the company's free cash flow to comparable GAAP financial measures is available on the company's web site, www.cincinnatibell.com, under the Investor Relations tab.

[3] The company has presented certain information regarding EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) because the company believes EBITDA provides a useful measure of the company's operational performance. EBITDA is defined by the company as GAAP Operating Income plus depreciation, amortization, restructuring charges, asset impairments, gain on the sale of assets and other special items. EBITDA should not be considered as an alternative to comparable GAAP measures of profitability. A detailed reconciliation of the company's EBITDA to comparable GAAP financial measures is available on the company's web site, www.cincinnatibell.com, under the Investor Relations tab.

These non-GAAP financial measures should not be construed as being more important than comparable GAAP measures. They are presented because Cincinnati Bell Inc. management uses this information when evaluating the company's results of operations and cash flow and believes that this information provides the users of the financial statements with additional and useful comparisons of the company's current results of operations and cash flows with past and future periods.

Financial Highlights

(dollars in millions)	**2004**	2003	2002
	Year Ended December 31		
Operating Data			
Revenue	**$ 1,207.1**	$ 1,557.8	$ 2,178.6
Cost of services and products, selling, general, and administrative, depreciation and amortization	**$ 896.7**	$ 1,204.3	$ 2,034.1
Restructuring, asset impairments and other charges	**$ 14.8**	$ 6.2	$ 2,238.0
Gain on sale of broadband assets	**$ (3.7)**	$ (336.7)	$ –
Operating income (loss)	**$ 299.3**	$ 684.0	$(2,093.5)
Minority interest expense (income)	**$ (0.5)**	$ 42.2	$ 57.6
Interest expense and other financing costs	**$ 203.3**	$ 234.2	$ 164.2
Loss (gain) on investments	**$ –**	$ –	$ 10.7
Income (loss) from continuing operations before discontinued operations, extraordinary items and cumulative effect of change in accounting principle	**$ 64.2**	$ 1,246.0	$(2,449.2)
Net income (loss)	**$ 64.2**	$ 1,331.9	$(4,240.3)
Financial Position			
Property, plant and equipment, net	**$ 851.1**	$ 898.8	$ 867.9
Total assets	**$ 1,958.7**	$ 2,073.5	$ 1,452.6
Long-term debt	**$ 2,111.1**	$ 2,274.5	$ 2,354.7
Total debt	**$ 2,141.2**	$ 2,287.8	$ 2,558.4
Total long-term obligations	**$ 2,237.7**	$ 2,406.0	$ 2,966.3
Minority interest	**$ 39.2**	$ 39.7	$ 443.9
Shareowners' equity (deficit)	**$ (624.5)**	$ (679.4)	$(2,598.8)

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 Report on Form 10-K.

Safe Harbor Statement

Certain of the statements and predictions contained in this report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act. In particular, any statements, projections or estimates that include or reference the words "believes," "anticipates," "plans," "intends," "expects," "will," or any similar expression fall within the safe harbor for forward-looking statements contained in the Reform Act. Actual results or outcomes may differ materially from those indicated or suggested by any such forward-looking statement for a variety of reasons, including but not limited to, Cincinnati Bell's ability to maintain its market position in communications services, including for wireless, wireline and internet services, general economic trends affecting the purchase or supply of telecommunication services, world and national events that may affect the ability to provide services, changes in the regulatory environment, any rulings, orders or decrees that may be issued by any court or arbitrator, restrictions imposed under our various credit facilities and debt instruments, work stoppages caused by labor disputes, adjustments resulting from year-end audit procedures and Cincinnati Bell's ability to develop and launch new products and services. More information on potential risks and uncertainties is available in the company's recent filings with the Securities and Exchange Commission, including Cincinnati Bell's annual Form 10-K report, quarterly Form 10-Q reports and Forms 8-K. The forward-looking statements included in this report represent the company's estimates as of April 2005. The company anticipates that subsequent events and developments will cause its estimates to change.

Board of Directors

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

Bruce L. Byrnes (2, 4*)
Vice Chairman of the Board and
President—Global Household Care
The Procter & Gamble Company

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

Karen M. Hoguet (1)
Senior Vice President and
Chief Financial Officer
Federated Department Stores, Inc.

Robert W. Mahoney (1, 4)
Chairman Emeritus,
Retired Chairman and
Chief Executive Officer
Diebold, Inc.

Daniel J. Meyer (1*, 2, 3)
Meyer Ventures and
Retired Chairman and
Chief Executive Officer
Milacron, Inc.

Michael G. Morris (2, 4)
Chairman, President and
Chief Executive Officer
American Electric Power

Carl Redfield (1, 4)
Senior Vice President –
Worldwide Manufacturing/Logistics
Cisco Systems, Inc.

David B. Sharrock (2*, 3)
Consultant and
Retired Executive Vice President
and Chief Operating Officer
Marion Merrell Dow Inc.

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

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

Company Officers

John F. Cassidy
President and
Chief Executive Officer

Brian A. Ross
Chief Financial Officer

Michael W. Callaghan
Senior Vice President,
Corporate Development

Mary E. McCann
Senior Vice President,
Internal Controls

Ann W. Crable
Vice President and General
Manager, Local Services

Brian G. Keating
Vice President, Human Resources
and Administration

David A. Korb
Vice President and General
Manager, Business Markets

Christopher J. Wilson
Vice President and
General Counsel

CINCINNATI BELL INC.
201 East Fourth Street
Cincinnati, Ohio 45202

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD APRIL 29, 2005

To Our Shareholders:

The 2005 Annual Meeting of Shareholders of Cincinnati Bell Inc. (the "Company") will be held on Friday, April 29, 2005, at 11:00 a.m., Eastern Daylight Savings Time, at the Cincinnati Museum Center at Union Terminal, 1301 Western Avenue, Cincinnati, Ohio for the following purposes:

1. To elect four Class III directors to serve three-year terms ending in 2008;
2. To ratify the appointment of Deloitte & Touche LLP as independent accountants to audit the financial statements of the Company for the year 2005;
3. To reapprove the material terms of the performance goals of the Cincinnati Bell Inc. 1997 Long Term Incentive Plan;
4. To reapprove the material terms of the performance goals of the Cincinnati Bell Inc. Short Term Incentive Plan; and
5. To consider any other matters that may properly come before the meeting.

The Board of Directors has established the close of business on March 4, 2005 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 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. PLEASE READ THE ENCLOSED MATERIAL AND VOTE YOUR SHARES. YOU CAN VOTE VIA THE INTERNET, BY TELEPHONE, OR BY MAILING YOUR COMPLETED AND SIGNED PROXY CARD OR VOTING INSTRUCTION CARD IN THE ENCLOSED POSTAGE-PAID ENVELOPE. IF YOU ARE THE SHAREHOLDER OF RECORD FOR YOUR SHARES, YOU CAN ALSO VOTE AT THE ANNUAL MEETING.

Your prompt response will also help reduce proxy costs and will help you avoid receiving follow-up telephone calls or mailings. Voting via the Internet or by telephone will help reduce proxy costs even further.

We have enclosed the Proxy Statement with this notice of the Annual Meeting.

By Order of the Board of Directors

Amy Collins

Amy Collins
Secretary

March 29, 2005

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CINCINNATI BELL INC.

201 East Fourth Street
Cincinnati, Ohio 45202

PROXY STATEMENT

For the Annual Meeting of Shareholders
to be held on Friday, April 29, 2005

This Proxy Statement and the accompanying proxy card or voting instruction card are 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 2005 Annual Meeting of Shareholders. The Annual Meeting will be held on Friday, April 29, 2005, at 11:00 a.m., Eastern Daylight Savings Time, at the Cincinnati Museum Center at Union Terminal, 1301 Western Avenue, Cincinnati, Ohio 45202. The combined Notice of Annual Meeting of Shareholders, Proxy Statement and the accompanying proxy card or voting instruction card, the Company's Annual Report on Form 10-K for the year ended December 31, 2004 and the Company's Summary Annual Report 2004 is first being mailed to the shareholders on or about April 5, 2005.

The Company's Board of Directors has established the close of business on March 4, 2005 as the record date (the "Record Date") for determining shareholders entitled 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 four Class III directors to serve three-year terms ending in 2008;
2. To ratify the appointment of Deloitte & Touche LLP as independent accountants to audit the financial statements of the Company for the year 2005;
3. To reapprove the material terms of the performance goals of the Cincinnati Bell Inc. 1997 Long Term Incentive Plan;
4. To reapprove the material terms of the performance goals of the Cincinnati Bell Inc. Short Term Incentive Plan; and
5. To consider any other matters that may properly come before the meeting.

PLEASE VOTE — YOUR VOTE IS IMPORTANT

Cincinnati Bell Inc. is a full-service local provider of data and voice communications services and a regional provider of wireless and long distance communications services. The Company provides telecommunications services on its owned local and wireless networks with a well-regarded brand name and reputation for service.

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 29, 2005. 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: This combined Proxy Statement, Annual Report on Form 10-K for the year ended December 31, 2004, which includes our 2004 consolidated financial statements, and Summary Annual Report 2004 includes 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"). Also enclosed is a proxy card or voting instruction card for your use in voting.

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

A: There are currently four proposals scheduled to be voted on at the meeting: the election of four Class III directors to serve three-year terms ending in 2008; the ratification of the appointment of Deloitte & Touche LLP as independent accountants to audit the financial statements of the Company for the year 2005; the reapproval of the material terms of the performance goals of the Cincinnati Bell Inc. 1997 Long Term Incentive Plan; and the reapproval of the material terms of the performance goals of the Cincinnati Bell Inc. Short Term Incentive Plan.

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

A: The Board recommends that you vote your shares "FOR" each of the nominees to the Board, "FOR" the ratification of the appointment of Deloitte & Touche LLP as independent accountants to audit the financial statements of the Company for the year 2005, "FOR" the reapproval of the material terms of the performance goals of the Cincinnati Bell Inc. 1997 Long Term Incentive Plan, and "FOR" the reapproval of the material terms of the performance goals of the Cincinnati Bell Inc. Short Term Incentive Plan.

Q: What shares can I vote?

A: You may vote all Company common shares and 6¾% Cumulative Convertible Preferred Shares that you own as of the close of business on the Record Date. These shares include: (1) shares held directly in your name as the shareholder of record, including common shares purchased through the Cincinnati Bell Employee Stock Purchase Plan, Cincinnati Bell Retirement Savings Plan, or Cincinnati Bell Inc. Savings and Security Plan and credited to your account under any of such plans; and (2) 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, and Cincinnati Bell is sending these proxy materials directly to you. As a shareholder of record, you may grant your voting proxy directly to Cincinnati Bell to vote your shares or you may vote your shares in person at the meeting. Cincinnati Bell has enclosed a proxy card for your use in voting by proxy.

Beneficial Owner

If your shares are held in a stock brokerage account or by another nominee, 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 beneficial owner, your broker or nominee has forwarded these proxy materials to you. As the beneficial owner, you may direct your broker or nominee to vote. Your broker or nominee has provided a voting instruction card for you to use in directing the broker or nominee on how to vote your shares. 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 record holder giving you the right to vote the shares.

Q: How can I 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, please bring the enclosed proxy card and proof of identification. Shares you hold beneficially, in street name, cannot be voted at the Annual Meeting unless you obtain a signed proxy from the shareholder of record authorizing you to vote these shares at the Annual Meeting.

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

A: Whether you hold shares directly as the shareholder of record or beneficially in street name, you may direct your vote without attending the meeting. For shares held directly as the shareholder of record, you may vote by granting a proxy. For shares held in street name, you may vote by submitting voting instructions to your broker or nominee. You may also vote via the Internet or by telephone. Please refer to the summary instructions below and those included on your proxy card or voting instruction card.

Via the Internet — If you have Internet access, you may submit your vote from any location by following the "Vote by Internet" instructions on your proxy card or voting instruction card.

By telephone — If you live in the United States or Canada, you may submit your vote by following the "Vote by Phone" instructions on the proxy card or voting instruction card.

By mail — You may vote by mail by completing and signing your proxy card or voting instruction card and mailing it in the accompanying enclosed, pre-addressed postage-paid envelope.

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. For shares you hold as the shareholder of record, you may change your vote by either: (i) granting a new proxy bearing a later date (which automatically revokes the earlier proxy); (ii) notifying the Company's Secretary in writing that you want to revoke your earlier proxy; or (iii) attending the Annual Meeting, giving notice of your proxy revocation in open meeting and voting in person. Please note that mere attendance at the meeting will not cause your previously granted proxy to be revoked; at the Annual Meeting you must specifically request to revoke your previous proxy. For shares held beneficially by you in street name, you may change your vote by submitting new voting instructions to your broker or nominee.

Q: How do I vote for the proposals?

A: For the election of directors, you may vote "FOR" all of the nominees, or you may withhold your vote with respect to one or more of the nominees. For the ratification of the appointment of Deloitte & Touche LLP as independent accountants to audit the financial statements of the Company for the year 2005, the reapproval of the material terms of the performance goals of the Cincinnati Bell Inc. 1997 Long Term Incentive Plan, and the reapproval of the material terms of the performance goals of the Cincinnati Bell Inc. Short Term Incentive Plan, you may vote "FOR" each of the proposals, or you may vote against any or all of the proposals or you may abstain from voting with respect to any or all of the proposals. To do so, you must follow the instructions on your proxy card or voting instruction card or, if voting via the Internet or by phone, by following the instructions when prompted. If you sign your proxy card or broker voting instruction card and do not provide instructions concerning your vote, your shares will be voted in accordance with the recommendation of the Board, as described in "What is the Board of Directors' voting recommendation?" above. If you hold common shares through a Cincinnati Bell or Convergys Corporation employee or director plan managed by Fidelity Management Trust Company ("Fidelity"), follow the instructions below.

Q: If I own shares through a Cincinnati Bell or Convergys Corporation employee or director plan managed by Fidelity, how will my shares be voted?

A: If you are a participant in the Cincinnati Bell Inc. Executive Deferred Compensation Plan, Cincinnati Bell Inc. Retirement Savings Plan, Cincinnati Bell Inc. Savings and Security Plan, Cincinnati Bell Inc. Deferred Compensation Plan for Outside Directors or the Convergys Corporation Retirement and Savings Plan, you have the right to direct Fidelity to vote any Cincinnati Bell shares credited to your account. For director nominations, you should follow the instructions on your proxy card. If no direction is made, or, if you vote by mail and your proxy card is not signed or has not been received by close of business on April 28, 2005, the shares credited to your account will not be voted.

Q: What is the voting requirement to approve the proposals?

A: In the election of directors, the four persons receiving the highest number of "FOR" votes will be elected. For the ratification of the appointment of Deloitte & Touche LLP as independent accountants to audit the financial statements of the Company for the year 2005, the reapproval of the material terms of the performance goals of the Cincinnati Bell Inc. 1997 Long Term Incentive Plan, and the reapproval of the material terms of the performance goals of the Cincinnati Bell Inc. Short Term Incentive Plan, proposals receiving a majority of "FOR" votes will pass. With the exception of the election of directors, abstentions will count as votes against the proposal. If you are a beneficial owner and do not respond to your broker's or nominee's request for voting instructions or do not sign your voting instruction card, your shares will constitute broker non-votes, as described in "What is the quorum requirement for the meeting?" below. In tabulating the voting result, broker non-votes are not considered entitled to vote. There are no cumulative voting rights for either the common shares or 6¾% Cumulative Convertible Preferred Shares.

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

A: It means your shares are registered differently or are in more than one account. Please provide voting instructions for all proxy and voting instruction cards 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 our quarterly report on Form 10-Q for the first quarter of fiscal year 2005.

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, Carl Redfield, David B. Sharrock and Michael G. Morris, 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 is 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 of Directors.

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 on the Record Date. 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. On the Record Date, we had 246,538,383 common shares and 155,250 6¾% Cumulative Convertible Preferred Shares issued and outstanding.

Q: What is the quorum requirement for the meeting?

A: The quorum requirement for holding the meeting and transacting business is the presence, in person or by proxy, of a majority of the common and preferred shares issued and outstanding and entitled to vote at such meeting. However, even if a quorum is present, if any particular action requires other than a simple majority under either the law, 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.

Both abstentions and broker non-votes are counted as present for the purpose of determining the presence of a quorum. Abstentions are also counted as shares present and entitled to be voted. Broker non-votes, however, are not counted as shares present and entitled to be voted with respect to the matter on which the broker has expressly not voted. Thus, broker non-votes will not affect the outcome of any of the matters being voted upon at the meeting.

Q: Who will count the votes?

A: A representative of Computershare Investor Services, LLC, Cincinnati Bell's transfer agent and registrar, will tabulate the votes and act as the inspector of election.

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 Cincinnati Bell or to third parties except (1) as necessary to meet applicable legal requirements, (2) to allow for the tabulation of votes and certification of the vote, or (3) to facilitate a successful proxy solicitation by the Board. Occasionally, shareholders provide written comments on their proxy card, which are then forwarded to Cincinnati Bell's management.

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

A: Cincinnati Bell is making this solicitation and will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials. If you choose to access the proxy materials and/or vote via the Internet, however, you are responsible for any Internet access charges you may incur. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone or by electronic communication by our directors, officers and employees, who will not receive any additional compensation for such solicitation activities. We also have hired Georgeson Shareholder Communications Inc.

to assist us in the distribution of proxy materials and the solicitation of votes. We will pay Georgeson Shareholder Communications Inc. a fee of $10,000 plus expenses for these services. We will also reimburse brokerage houses and other nominees for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to shareholders.

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

A: Our directors and executive officers owned approximately 2.37% 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 December 31, 2004, each of the following entities indicated that they held more than 5% of the issued and outstanding common shares of the Company: Legg Mason Funds Management, Inc. and its affiliates, Brandes Investment Partners, L.P. and its affiliates, Barclays Global Investors, NA and its affiliates, Shapiro Capital Management Company, Inc., Gabelli Asset Management Company and its affiliates and Citadel Limited Partnership and its affiliates. As of December 31, 2004, Gabelli Asset Management Company and its affiliates held more than 5% of the issued and outstanding 6¾% Cumulative Convertible Preferred Shares. See page 28 for more details on 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, such as this Proxy Statement, 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 at your mailing address but would like to receive separate copies, please see the instructions on page 41. If you and other shareholders at the same mailing address are currently receiving multiple copies of Company communications but would like to participate in our householding program, please see the instructions on page 41.

BOARD STRUCTURE AND COMPENSATION

General Information

Our Board currently has ten directors and the following four committees: (1) Audit and Finance, (2) Compensation, (3) Executive, and (4) Governance and Nominating. The members and function of each committee are described below. During fiscal year 2004, the Board held 13 meetings, and no director attended less than 80% of all Board and applicable committee meetings during the period in which he or she served as a director.

The Board evaluated the independence of each director. Based on an analysis of information supplied by the directors, the Board evaluated 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. The Board has determined that each director, except Mr. Cassidy, is an independent director according to the rules and listing standards of the NYSE.

Under the Company's Corporate Governance Guidelines, directors are expected to attend the annual meeting of shareholders. All of the directors attended the 2004 Annual Meeting of Shareholders.

Corporate Governance

The Company's Corporate Governance Guidelines are available on the Company's website, www.cincinnatibell.com, in the Corporate Governance Section of the Corporate Information webpage.

Committees of the Board

The following table sets forth the membership of the committees of the Board of Directors:

Name of Director	Audit and Finance	Compensation	Executive	Governance and Nominating
Non-Employee Directors				
Bruce L. Byrnes		X		X*
Phillip R. Cox	X	X	X*	X
Karen M. Hoguet	X			
Robert W. Mahoney	X			X
Daniel J. Meyer	X*	X	X	
Michael G. Morris		X		X
Carl Redfield	X			X
David B. Sharrock		X*	X	
John M. Zrno	X			X
Employee Director				
John F. Cassidy			X	

X = Committee member; * = Chair

Audit and Finance Committee: The Audit and Finance Committee consists of six persons, none of whom is an officer of the Company. The Committee held 16 meetings during 2004. The purpose of the Committee is to assist the Board of Directors in its oversight of (i) the integrity of the financial statements of the Company, (ii) the Company's compliance with legal and regulatory requirements, (iii) the independence and qualifications of the independent auditor, and (iv) the performance of the Company's internal audit function and independent auditors.

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. No member of the Audit and Finance Committee serves on the audit committees of more than three public companies. In addition, the Board has determined that Daniel J. Meyer is an audit committee financial expert as defined in the 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. The Audit and Finance Committee Charter is available on the Company's website, www.cincinnatibell.com in the Corporate Governance Section of the Corporate Information webpage.

Compensation Committee: The Compensation Committee consists of five persons, none of whom is an officer. The Committee held 4 meetings during 2004. The Compensation Committee is responsible for ensuring that directors and certain key executives are effectively compensated in terms of base compensation and short- and long-term incentive compensation and benefits that are competitive. In addition, the Committee is responsible for evaluating the performance of the Chief Executive Officer and reviewing with management the succession planning process for key executive positions. The Board has determined that each member of the Compensation Committee satisfies the independence requirements of the rules and listing standards of the NYSE. The Compensation Committee Charter is available on the Company's website, www.cincinnatibell.com, in the Corporate Governance Section of the Corporate Information webpage.

Executive Committee: The Executive Committee consists of four persons, one of whom is an officer. The Committee did not hold any meetings during 2004. The Committee acts on behalf of the Board in certain matters when necessary during the intervals between Board meetings.

Governance and Nominating Committee: The Governance and Nominating Committee consists of six persons, none of whom is an officer. The Committee held 4 meetings during 2004. The Committee identifies individuals to become members of the Board, periodically reviews the size and composition of the Board, 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 Board has determined that each member of the Governance and Nominating Committee satisfies the independence requirements of the rules and listing standards of the NYSE. The Governance and Nominating Committee Charter is available on the Company's website, www.cincinnatibell.com, in the Corporate Governance Section of the Corporate Information webpage.

Director Nominations

The Governance and Nominating Committee will consider director candidates recommended by shareholders.

The Committee's process for identifying and evaluating candidates to be nominated as directors is as follows: Any qualified individual or group, including shareholders, incumbent directors and members of top management, may propose a candidate for the Board at any time. Background information on proposed candidates is forwarded to the Governance and Nominating Committee. The Committee will, when an opening for a director occurs, review forwarded materials on prospective candidates. A candidate selected from that review will be interviewed by all members of the Committee, unless such interview is voluntarily waived by a member or members. If approved by the Committee, the candidate will be recommended to the full Board for consideration. There are no differences in the manner in which the Committee evaluates shareholder-recommended candidates.

The selection criteria for board members includes the following: established leadership reputation in his or her field; recognized for good business judgment; active in business; knowledge of business on a national/global basis; meets high ethical standards; familiar with the field of telecommunications services; commitment to board/committee meeting attendance; and contribution to gender, racial and/or geographical diversity of board.

Director Compensation Arrangements

Compensation for Employee Directors

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

General Compensation Policy for Non-Employee Directors

Directors who are not employees of the Company or any subsidiary of the Company ("non-employee directors") receive a $30,000 annual retainer plus $2,000 for each Board and committee meeting attended. The chairperson of the Audit and Finance Committee receives a $10,000 annual retainer, and the chairpersons of the Governance and Nominating Committee and the Compensation Committee receive a $5,500 annual retainer. The members of the Audit and Finance Committee receive a $5,000 annual retainer and members of each of the Compensation Committee and the Governance and Nominating Committee receive a $2,500 annual retainer. Mr. Cox, Chairman of the Board, received $180,000 for his service as Chairman in 2004, in addition to the applicable retainers and meeting fees described above.

Non-Employee Directors Deferred Compensation Plan

The Cincinnati Bell Inc. Deferred Compensation Plan for Outside Directors (the "Directors Deferred Compensation Plan") currently allows each non-employee director of the Company to choose 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 assumed to be invested in the investment options that he or she chooses. A non-employee director is fully vested in the amounts that are credited to his or her account under the plan pursuant to the rules described in this paragraph.

In addition, each non-employee director of the Company on January 3, 2005 had his or her account under the Directors Deferred Compensation Plan credited on such date with an amount equal to the value of 6,000 common shares of the Company. Subject to future changes in the plan or in the common shares, each non-employee director of the Company on the first business day of 2006 or any later calendar year will also have his or her account under the plan credited on such date with an amount equal to the value of 6,000 common shares. A non-employee director's account under the plan is also adjusted by the investment returns that would result if such amounts were assumed to be invested exclusively in common shares. A non-employee director will generally be vested in the amounts credited to his or her account under the plan pursuant to the rules described in this paragraph 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 who served as a non-employee director prior to 2005 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 years before 2005 or on other extra amounts that were credited by the Company to his or her account under the plan prior to such year. The portion of a non-employee director's account under the plan that is attributable to such pre-2005 credited amounts is also adjusted by the investment returns that would result if such amounts were assumed to be 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, 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 recently enacted American Jobs Creation Act of 2004, which generally applies to any compensation of a non-employee director that is credited to his or her account under the plan in 2005 or any later year), elect that the vested amounts credited to his or her account under the Directors Deferred Compensation Plan will not be received by him or her (and thereby generally will not be subject to federal income tax) until after he or she has ceased to be a member of the Board or until a specific year he or she chooses that is not earlier than the year in which the sixth annual anniversary of his or her deferral election occurs. He or she generally may also elect to have the vested amounts credited to his or her plan account, when they are to be paid, distributed in a lump sum or in up to ten annual installments.

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

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

The Directors Deferred Compensation Plan provides three exceptions to the rules regarding the timing of distributions of a director's account under the plan: (i) in the event of a change in control of the Company; (ii) at the election of the director in the event of severe financial hardship; and (iii) at the election of the director if he or she agrees to certain forfeitures and restrictions.

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 and its subsidiaries.

The Directors Deferred Compensation Plan must comply with the requirements of the recently enacted 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 intends to amend and operate the plan in such a manner that it complies with such requirements.

Non-Employee Directors Stock Option Plan

The Company grants its non-employee directors stock options to purchase common shares under the Cincinnati Bell Inc. 1997 Stock Option Plan for Non-Employee Directors (the "Directors Stock Option Plan"). Pursuant to the current terms of such plan, each non-employee director of the Company may, in the discretion of the Board, be granted on or after January 1, 2005:

- a stock option for 25,000 common shares on the first day of his or her initial term of office as a non-employee director of the Company; and
- a stock option for 9,000 common shares on the date of each annual meeting, if such director first became a non-employee director of the Company before the date of such annual meeting and continues in office as a non-employee director after such meeting.

The Board will exercise its discretion in granting such options on and after January 1, 2005 with the intent that such grants, together with other compensation that either is paid in the form of common shares or whose value is determined in relation to the value of common shares (such grants and such other compensation referred to as "equity-based compensation"), provide equity-based compensation for the Company's non-employee directors that each year is competitive with the value of equity-based compensation provided by comparable companies to their non-employee directors.

In addition, a non-employee director of the Company may elect, prior to the start of any calendar year, to waive all or a portion (in 25% increments) of his or her retainer and other director fees from the Company for such calendar year and in return receive an additional stock option under the Directors Stock Option Plan as of the first business day of such calendar year. The number of common shares to be subject to such elected option will be determined by the Board in its discretion (and generally, in the absence of another method chosen by the Board, will be determined by dividing the anticipated retainer and other fees for the calendar year for which the director is waiving the fees by the per share value of the stock option as determined under a reasonable valuation method adopted by the Board).

Each stock option granted to a non-employee director under the Directors Stock Option 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 Directors Stock Option Plan, a non-employee director of the Company who is granted an option under the plan generally will have ten years from the date of the grant of the option to elect to exercise the option.

Other Compensation for Non-Employee Directors

The Company also provides its non-employee directors who live in the Cincinnati area with certain telecommunications services. The average annual cost of such services was approximately $2,376 per non-employee director in 2004 who received such services.

Executive Sessions of Non-Management Directors

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

COMPENSATION INTERLOCKS AND INSIDER PARTICIPATION

None to report.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Although the following disclosures are not required under SEC rules or the rules and listing standards of the NYSE because the aggregate value of the transactions are less than the relevant reporting thresholds, the Company has been a party to transactions in the ordinary course of business with Cisco Systems, Federated Department Stores and Procter & Gamble. A member of the Board serves in an executive capacity at each of those companies: Mr. Redfield at Cisco Systems, Ms. Hoguet at Federated Department Stores and Mr. Byrnes at Procter & Gamble.

The Company entered into these transactions in the ordinary course of its business and under competitive marketplace conditions. The Company believes that these transactions were on terms that were reasonable and in the best interests of the Company. The Board has determined that Mr. Redfield, Ms. Hoguet and Mr. Byrnes received no material benefit as a result of these transactions.

CODE OF BUSINESS CONDUCT AND 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 Professionals. The directors are subject to the Code of Ethics for Directors.

The Company's Code of Business Conduct, Code of Ethics for Senior Financial Professionals and Code of Ethics for Directors are available on the Company's website, www.cincinnatibell.com, in the Corporate Governance Section of the Corporate Information webpage.

ELECTION OF DIRECTORS
(Item 1 on the Proxy Card)

The Board of the Company presently consists of ten members, one of whom is an officer of the Company. The Company's Amended Articles of Incorporation provide for the directors to be divided into three classes. At each annual meeting of shareholders, directors constituting a class are elected for three-year terms. Upon election, the terms of the four directors in Class III expire in 2008. The terms of the three directors in Class II expire in 2007. The terms of the three directors in Class I expire in 2006. The directors of each class will serve until their respective successors are elected and qualified.

The Board has nominated Bruce L. Byrnes, John F. Cassidy, Robert W. Mahoney, and Daniel J. Meyer, all of whom are incumbent directors, as Class III directors, to serve until the 2008 annual meeting of shareholders. Information regarding the business experience of each nominee is provided below. Mr. Mahoney was appointed to fill a vacancy on the board in October 2004. A non-management director of the Company recommended Mr. Mahoney to the Governance and Nomination Committee, which, in turn, recommended him to the Board for appointment.

If one or more of the nominees should at the time of the meeting be unavailable or unable to serve as a candidate, the shares represented by the proxies will be voted to elect the remaining nominees 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.

Our Recommendation

The four director nominees who receive the greatest number of votes will be elected to the Board of Directors. The Board recommends election of each of the nominees.

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

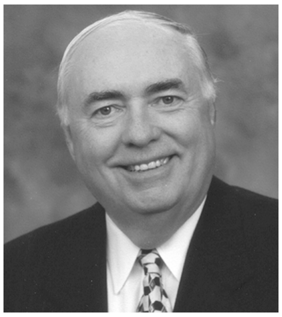
NOMINEES FOR CLASS III DIRECTORS
(Terms Expire in 2008)

Bruce L. Byrnes

Mr. Byrnes has been Vice Chairman of the Board and President — Global Household Care of The Procter & Gamble Company (a consumer products company) since 2004. He has held the following positions at The Procter & Gamble Company: Vice Chairman of the Board and President — Global Beauty & Feminine Care and Global Health Care from 2002 through 2004; President — Global Beauty Care and Global Health Care from 2000 through 2002; President — Global Health Care from 1999 through 2000; and President — Health Care Products — North America from 1997 through 1999. He is a director of The Procter & Gamble Company. Director since 2003. Age 56.

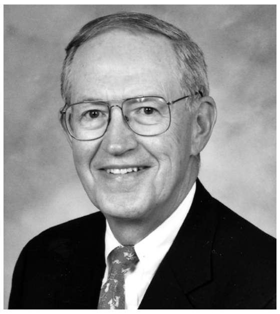
John F. Cassidy

Mr. Cassidy has been the President and Chief Executive Officer of Cincinnati Bell Inc. since July 2003 and a director of Cincinnati Bell Inc. since September 2002. Among other positions held with the Company's subsidiaries, he has been President and Chief Operating Officer of Cincinnati Bell Telephone Company since May 2001; and President of Cincinnati Bell Wireless Company since 1997. Prior to that time, he served as Senior Vice President, National Sales & Distribution of Rogers Cantel in Canada from 1992 through 1996; as Vice President, Sales and Marketing of Ericsson Mobile Communications from 1990 through 1992; and as Vice President, Sales and Marketing of General Electric Company from 1988 through 1990. Director since 2002. Age 50.



Robert W. Mahoney

Mr. Mahoney is retired. He served as Chairman of the Board and Chief Executive Officer of Diebold, Inc. from 1988 until April 2000. Prior to that time, he served as President and Chief Executive Officer from 1985 until 1988. He is a director of The Timken Company, The Sherwin-Williams Company and a director and Chairman of the Board of the Federal Reserve Bank of Cleveland. Director since 2004. Age 68.



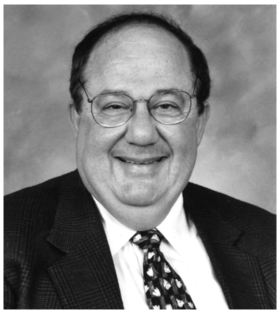
Daniel J. Meyer

Mr. Meyer is retired and the former Chairman and Chief Executive Officer of Milacron, Inc. (a manufacturer of metal working fluids and plastics processing machinery and systems) from 1991 through May 2001. He is a director of AK Steel Holding Corporation and Hubbell Incorporated. Director since 1999. Age 68.

FOR CLASS I DIRECTORS
(Terms Expire in 2006)

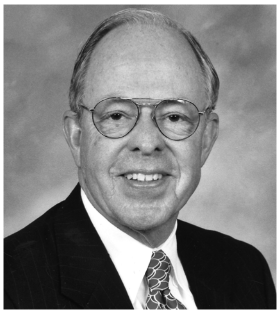
Karen M. Hoguet

Ms. Hoguet is Chief Financial Officer and Senior Vice President of Federated Department Stores, Inc. (owner and operator of retail department stores). At Federated Department Stores, she has served as a Senior Vice President since 1991 and Chief Financial Officer since 1997; and she served as Treasurer from 1992 through 1999. She is a director of the Wedding Channel. Director since 1999. Age 48.



Carl Redfield

Mr. Redfield has been Senior Vice President of Worldwide Manufacturing/Logistics of Cisco Systems, Inc. (a networking and telecommunications company) since 1997 and was Vice President, Manufacturing/Logistics of Cisco Systems, Inc., from 1993 through 1999. Prior to that time, he served as Senior Director, Manufacturing/Logistics Personal Computer Group of Digital Equipment Corporation from 1975 through 1993. He is a director of VA Software Corporation. Director since 2000. Age 58.



David B. Sharrock

Mr. Sharrock has been a consultant since 1994. Prior to that time, he served as Executive Vice President and Chief Operating Officer of Marion Merrell Dow Inc. (a researcher, manufacturer and seller of pharmaceutical products) from 1989 through 1993. He served as President and Chief Operating Officer of Merrell Dow Pharmaceuticals Inc. from 1988 through 1989. He is a director of Indevus Pharmaceuticals Inc., Praecis Pharmaceuticals, Inc. and MGI Pharma, Inc. Director since 1987. Age 68.

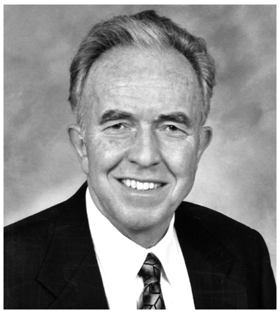
FOR CLASS II DIRECTORS
(Terms Expire in 2007)

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 director of the Federal Reserve Bank of Cleveland, Cinergy Corp., The Timken Company, Touchstone Mutual Funds, Long Stanton Manufacturing Company and the Chairman of the Board of Trustees for the University of Cincinnati. Director since 1993. Age 57.

Michael G. Morris

Mr. Morris has been the President and Chief Executive Officer of American Electric Power (an electric and gas utility) since January 2004 and the Chairman of AEP since February 2004. Before joining AEP, he was the Chairman, President and Chief Executive Officer of Northeast Utilities System from 1997 through December 2003. Prior to that time, he served as President and Chief Executive Officer of Consumers Energy, the principal subsidiary of CMS Energy, and as President of CMS Marketing, Services and Trading. He is a director of Spinnaker Exploration Company and Flint, Inc. Director since 2003. Age 58.



John M. Zrno

Mr. Zrno is retired. He was President and Chief Executive Officer of IXC Communications, Inc. (a telecommunications company) from June 1999 through November 1999. He served as President and Chief Executive Officer of ALC Communications Corporation from 1988 through 1995. He is a director of BullsEye Telecom. Director since 1999. Age 66.

CHANGES IN INDEPENDENT ACCOUNTANT

On March 21, 2005, the Audit and Finance Committee dismissed PricewaterhouseCoopers LLP as the Company's independent accountants.

The reports of PricewaterhouseCoopers LLP on the Company's consolidated financial statements for the past two fiscal years contained no adverse opinion or disclaimer of opinion, nor were such reports qualified or modified as to uncertainty, audit scope, or accounting principles.

During the two most recent fiscal years and through March 21, 2005, there were no disagreements with PricewaterhouseCoopers LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of PricewaterhouseCoopers LLP, would have caused PricewaterhouseCoopers LLP to make reference to the disagreements in their reports on the Company's consolidated financial statements for such years.

During the two most recent fiscal years and through March 21, 2005, there were no "reportable events" as defined in Item 304(a)(1)(v) of Regulation S-K.

The Company has provided a copy of the above disclosures to PricewaterhouseCoopers LLP and asked PricewaterhouseCoopers LLP to provide it with a letter addressed to the SEC stating whether or not PricewaterhouseCoopers LLP agrees with the Company's statements. A copy of that letter, dated March 24, 2005, stating that PricewaterhouseCoopers LLP has no disagreements with the Company's statements, is filed as Exhibit 16.1 to our report on Form 8-K filed with the SEC on March 24, 2005.

On March 21, 2005, the Audit and Finance Committee engaged Deloitte & Touche LLP as the Company's independent registered public accounting firm (also referred to herein as "independent auditors" and/or "independent accountants") for the fiscal year ending December 31, 2005. During the two most recent fiscal years and through March 21, 2005, the Company did not consult with Deloitte & Touche LLP regarding the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's consolidated financial statements, or any other matters that were either the subject of a disagreement or a reportable event as defined in Item 304(a)(1)(iv) and (v), respectively, of Regulation S-K.

RATIFICATION OF APPOINTMENT OF INDEPENDENT ACCOUNTANTS
(Item 2 on the Proxy Card)

The Company's Audit and Finance Committee Charter provides that the Committee shall have the sole authority and responsibility to select, evaluate and, if necessary, replace the Company's independent accountants.

In 2004, the Board determined that the Company should provide its shareholders with an opportunity to participate in the selection of its independent accountants. Although not required by Ohio law or the Audit and Finance Committee's Charter, the Board decided to submit the selection of the independent accountants to the shareholders for ratification.

On March 21, 2005, the Audit and Finance Committee decided to change the Company's independent accountants, and, accordingly, dismissed PricewaterhouseCoopers LLP from that role and retained Deloitte & Touche LLP as its independent accountants to audit the financial statements of the Company for the fiscal year ending December 31, 2005.

The Company is asking the shareholders to ratify its appointment of Deloitte & Touche LLP as independent accountants of the Company for the fiscal year ending December 31, 2005. If the shareholders do not ratify this appointment, the Audit and Finance Committee will consider such results and determine whether to recommend and appoint a different independent accountant to audit the financial statements of the Company for the fiscal year ending December 31, 2005.

One or more members of the firms of Deloitte & Touche LLP and PricewaterhouseCoopers LLP will attend the annual meeting, will have an opportunity to make a statement and will be available to answer questions.

Recommendation

Ratification of the appointment of Deloitte & Touche LLP requires the affirmative vote of the holders of a majority of the common shares and Preferred Shares, voting as one class, present or represented at the annual meeting, in person or by proxy, and entitled to vote on this proposal. Abstentions will count as votes against the proposal. Broker non-votes do not count for voting purposes. The Board recommends a vote FOR such ratification.

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 PricewaterhouseCoopers LLP, the Company's independent auditors for the fiscal year ended December 31, 2004, the matters required to be discussed by the Statement on Auditing Standards No. 61. The Audit and Finance Committee has also received the written disclosures and letter from the independent auditors required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), has discussed with PricewaterhouseCoopers LLP the independence of such independent auditing firm, and has considered the question of whether the auditors' provision of non-audit services was compatible with the auditors 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, 2004 be included in the Company's Annual Report on Form 10-K for the Company's fiscal year ended December 31, 2004.

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 Daniel J. Meyer is an audit committee financial expert as defined in the rules and regulations of the SEC and that each member of the Committee is financially literate as defined by the rules and listing standards of the NYSE.

AUDIT AND FINANCE COMMITTEE:

Daniel J. Meyer, Chairman
Phillip R. Cox
Karen M. Hoguet
Robert W. Mahoney
Carl Redfield
John M. Zrno

INDEPENDENT AUDITOR

On March 21, 2005, the Audit and Finance Committee dismissed PricewaterhouseCoopers LLP as the Company's independent accountants and engaged Deloitte & Touche LLP as the Company's independent accountants for the fiscal year ending December 31, 2005.

AUDIT FEES

PricewaterhouseCoopers LLP was the Company's principal outside auditor for the fiscal years 2004 and 2003. Aggregate fees for professional services rendered for the Company by PricewaterhouseCoopers LLP for the years ended December 31, 2004 and 2003, were as follows:

	2004	2003
Audit Fees	$2,852,420	$1,589,365
Audit Related Fees	141,014	257,732
Tax Fees	48,485	81,716
All Other Fees	—	—
Total	$3,041,919	$1,928,813

Audit Fees

The Audit Fees for the years ended December 31, 2004 and 2003, respectively, were for services rendered in connection with the audit of the Company's annual consolidated financial statements and review of consolidated financial statements included in the Company's quarterly reports filed with the SEC. In addition, in 2004, audit fees included services related to requirements established by the Sarbanes-Oxley Act of 2002. In 2003, PricewaterhouseCoopers LLP also provided assistance with and review of documents filed with the SEC and services in connection with the issuance of comfort letters and consents.

Audit Related Fees

The Audit Related Fees for the years ended December 31, 2004 and 2003, respectively, were for professional services rendered for the audits of the Company's employee benefit plans, for audit services required by the Company's creditors and various accounting consultations.

Tax Fees

Tax Fees for the years ended December 31, 2004 and 2003, respectively, were for consulting services related to the implications of changes in federal and state tax laws and other compliance issues.

All Other Fees

None.

Engagement of the Independent Auditor 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 auditor. 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 auditor.

Pursuant to Section 202 of the Sarbanes-Oxley Act of 2002, the Audit and Finance Committee pre-approved every engagement of PricewaterhouseCoopers LLP to perform audit or non-audit services on behalf of the Company or any of its subsidiaries since May 6, 2003.

REAPPROVAL OF MATERIAL TERMS OF PERFORMANCE GOALS UNDER CINCINNATI BELL INC. 1997 LONG TERM INCENTIVE PLAN
(Item 3 on the Proxy Card)

Under Section 162(m) of the Internal Revenue Code (the "Code"), the Company may not, for federal income tax purposes, deduct from its income the compensation paid during a tax year to a person who, on the last day of such year, is the chief executive officer or among the four highest compensated other officers of the Company and its subsidiaries (each such person a "covered executive") to the extent such compensation exceeds $1,000,000. However, such deduction limit does not generally apply to certain performance-based compensation paid to a covered executive if the material terms of the performance goals under which such compensation is determined and paid are disclosed to and approved by the shareholders of the Company.

The Company maintains the Cincinnati Bell Inc. 1997 Long Term Incentive Plan (the "Long Term Incentive Plan") under which awards can be made to salaried employees of the Company and its subsidiaries, including the covered executives, based on long-term performance objectives.

The Company's shareholders at their 2000 annual meeting approved the Long Term Incentive Plan, including the material terms of the performance goals under which certain compensation is paid under the Long Term Incentive Plan. The total number of common shares on which awards will be granted on or after January 1, 2000 under the Long Term Incentive Plan is 50,000,000.

The Board's Compensation Committee (for purposes of this discussion as to the Long Term Incentive Plan, the "Committee") administers the Long Term Incentive Plan. The Committee may amend or terminate the Long Term Incentive Plan as long as such action does not impair the rights of employees with respect to previously granted awards unless such employee's consent is obtained. In addition, shareholder approval is required to amend the Long Term Incentive Plan (a) to increase the total number of shares reserved for issuance under the plan, (b) to change the class of employees eligible to receive awards under the plan, (c) to increase the number of incentive stock awards that may be granted under the plan or (d) to make any change that requires shareholder approval under Section 162(m) of the Code or any other applicable law.

Since the Committee has the authority and discretion to set the specific performance goals under the awards of the Long Term Incentive Plan, regulations of the Internal Revenue Service (the "IRS") issued under Code Section 162(m) require that, for the performance-based compensation made to any covered executive under the plan to avoid being subject to the deduction limits of Code Section 162(m), the Company must again disclose to the Company's shareholders the material terms of the performance goals under which compensation can be paid under the plan and the shareholders must once again approve such terms no later than at their 2005 annual meeting. As a result, the Company is asking the Company's shareholders to reapprove the material terms of the performance goals under which compensation can be paid under the plan. <u>No changes are being made to the Long Term Incentive Plan.</u>

The reapproval by the Company's shareholders of the performance goals is not needed to permit the Committee to continue granting awards under the plan and such awards can continue to be made regardless of whether or not such reapproval is obtained; such reapproval is needed only to permit the Company to deduct for federal income tax purposes the compensation paid to covered executives that result from performance-based plan awards without regard to the deduction limits of Section 162(m) of the Code.

Material Terms of Performance Goals.

Following is a summary of the material terms of the performance goals under which compensation can be paid under the Long Term Incentive Plan. Such summary is qualified in its entirety by the complete text of the Long Term Incentive Plan, a copy of which is attached as **Appendix A**.

1. Employees Eligible to Receive Awards.

The employees who are eligible for awards under the Long Term Incentive Plan are all salaried employees of the Company and its subsidiaries, including the covered executives. For purposes of the plan, a salaried employee refers to any person who is employed and classified as an employee by the Company or a subsidiary of the Company, whose pay is based on a monthly or annual rate and whose position is not subject to automatic wage progression. As of March 14, 2005, 1,149 salaried employees were eligible to participate in the Long Term Incentive Plan.

In general, the Committee selects the specific salaried employees to whom awards will be granted under the Long Term Incentive Plan, the types of awards that will be granted to each salaried employee and the terms of any such award (subject to the terms of the plan). The Committee may delegate to one or more senior managers of the Company and its subsidiaries the Committee's right to make awards to salaried employees who are not officers of the Company, but it may not so delegate such right with respect to any covered executives or to any other salaried employees who are subject to certain insider-trading prohibitions and requirements set forth in Section 16 of the Securities Exchange Act of 1934.

2. Use of Performance Goals Under Awards and Maximum Amount of Compensation.

Many awards made under the Long Term Incentive Plan are based on performance goals, and the plan also sets forth certain limits on the maximum amount of compensation that can be paid to any salaried employee under the plan.

Awards granted under the Long Term Incentive Plan provide, in the event that certain conditions are met, a salaried employee the opportunity to acquire common shares or monetary payments based in part on the value of such shares. In this regard, a salaried employee may not receive under the plan, during any calendar year, either (i) any specific type of award (stock options, stock appreciation rights ("SARs"), restricted stock, performance shares or performance units) that is based on more than 1,000,000 common shares or (ii) awards that in the aggregate are based on more than 1,000,000 common shares.

The rules of the Long Term Incentive Plan set forth below constitute, under the IRS's regulations, a performance goal that (together with the common share limit noted above, the approval by the Company's shareholders of the material terms of the plan's performance goals and certain other conditions being met under the plan) generally will permit the compensation to a covered executive that results from such award to avoid being subject to the deduction limits of Section 162(m) of the Code:

- As to stock options, the Long Term Incentive Plan provides that the purchase price of any common share that can be bought under any stock option granted under the plan may not be less than 100% of the fair market value of a common share as determined on the date that the option is granted.
- As to SARs, the Long Term Incentive Plan provides that the grant price of the SAR may not be less than the fair market value of the common shares with respect to which the SAR is based, as determined on the date of the grant of the SAR.
- As to restricted stock, the Long Term Incentive Plan provides that the terms of any restricted stock award granted under the plan to a salaried employee will, for the salaried employee to be able to dispose of and not forfeit such stock, (i) generally require the salaried employee to remain an employee of the Company and/or a subsidiary of it for a specified continuous period of time (or to terminate employment with the Company and its subsidiaries in special circumstances such as the employee's retirement, disability, or death) but (ii) also may require the meeting of certain performance goals based on any of the business criteria noted in the "Business Criteria" section below.
- As to performance shares, the Long Term Incentive Plan provides that, before a common share may be issued to a salaried employee, he or she must meet certain performance goals based on any of the business criteria noted in the "Business Criteria" section below (and any other conditions contained in the award, which may include a requirement that the employee be employed by the Company and its subsidiaries for a specified continuous period of time).
- As to performance units, the Long Term Incentive Plan provides that (i) before a cash payment may be issued to a salaried employee he or she must meet certain performance goals based on any of the business criteria noted in the "Business Criteria" section below (and any other conditions contained in the award, which may include a requirement that the employee be employed by the Company and its subsidiaries for a specified continuous period of time) and (ii) such cash payment may not exceed

200% of the fair market value of one common share as determined on the date such amount becomes payable (or 200% percent of the increase in the fair market value of one common share from the date of the grant of the award to the date such amount becomes payable).

Any such performance goal will be based on the business criteria noted in the "Business Criteria" section below and will be measured or determined on the basis of a "performance period," which period may be of any length, must be established not later than ninety days after the commencement of the performance period to which the performance goal relates and have an outcome that is substantially uncertain at the time the goal is established.

In addition, any such performance goal (i) may be measured or determined for the Company, for any subsidiary of the Company, for the Company and all of the Company's subsidiaries in the aggregate or for any group of corporations that are included in the entire group of the Company and its subsidiaries 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, a performance goal that applies to an award granted under the Long Term Incentive Plan and that is based on any of the business criteria noted in the "Business Criteria" section below must be able to be objectively determined, and the satisfaction of such goal must be verified by the Committee.

Finally, in certain cases, an amount may be payable under an award that is granted under the Long Term Incentive Plan in the event a change in control of the Company (as is defined in the plan) occurs during the applicable performance period regardless of whether or not the performance goals applicable to the award are met. In such case, such amount, if payable to a covered executive, will not be able to avoid being subject to the deduction limits of Section 162(m) of the Code even if the Company's shareholders reapprove the material terms of the performance goals applicable to the plan's awards.

3. Business Criteria.

Under the plan, the business criteria on which any such performance goals applicable to a plan award can be based must be one or more of the following criteria (measured or determined for the Company, for any subsidiary of the Company, for the Company and all of the Company's subsidiaries in the aggregate or for any group of corporations that are included in the entire group of the Company and its subsidiaries and with respect to a performance period):

- earnings before interest, taxes, depreciation and amortization;
- earnings per share;
- operating income;
- total shareholder returns;
- cash generation targets (which includes free cash flow, which refers to the Company's earnings before income taxes, depreciation and amortization, minus the Company's capital expenditures and plus or minus the Company's changes in working capital);
- profit targets;
- revenue targets;
- profitability targets as measured by return ratio;
- net income;
- return on sales;
- return on assets;
- return on equity; and
- corporate performance indicators (which are indices based on the level of service provided to customers).

Plan Benefits.

Awards made under the Long Term Incentive Plan to the executive officers of the Company named in the Summary Compensation Table on page 32 are set forth in the table's "Securities Underlying Options/SARs" column. In 2004, the aggregate amount of awards under the Long Term Incentive Plan made to all executive officers as a group was 1,341,100 common shares and to all other salaried employees as a group was 760,060 common shares. Amounts to be awarded under the Long Term Incentive Plan in the future are not determinable. It is the intention of the Committee to make awards under the Long Term Incentive Plan consistent with the Company's business needs and competitive practices.

Reapproval of Material Terms of Performance Goals.

As has been indicated above, we are seeking shareholder reapproval of the material terms of the performance goals under which compensation may be paid under the Long Term Incentive Plan in order to permit any awards granted under the plan to covered executives which are based on certain performance goals to be able to be deducted by the Company and its subsidiaries without regard to the deduction limits of Section 162(m) of the Code.

Without such reapproval by the Company's shareholders at their 2005 annual meeting, awards granted under the Long Term Incentive Plan to covered executives may be subject to the deduction limits of Code 162(m) of the Code, thereby possibly increasing the taxes that will have to be paid by the Company and its subsidiaries in connection with compensation paid to the covered executives.

Our Recommendation.

Reapproval of the material terms of the performance goals under which compensation can be paid under the Cincinnati Bell Inc. 1997 Long Term Incentive Plan requires the affirmative vote of the holders of the majority of the common shares and preferred shares, acting as one class, present or represented at the annual meeting, in person or by proxy, and entitled to vote on this proposal. Abstentions will count as votes against the proposal. Broker non-votes do not count for voting purposes. The Board recommends a vote FOR adoption of the proposal.

Effect of Management Vote.

Since the directors and officers of the Company own beneficially 5,855,741 voting shares, or 2.37% of the outstanding voting shares, their votes on the proposal are not likely to have a material impact on whether this proposal is adopted.

REAPPROVAL OF MATERIAL TERMS OF PERFORMANCE GOALS UNDER CINCINNATI BELL INC. SHORT TERM INCENTIVE PLAN (Item 4 on the Proxy Card)

Under Section 162(m) of the Code, the Company may not, for federal income tax purposes, deduct from its income the compensation paid during a tax year to a person who, on the last day of such year, is the chief executive officer or among the four highest compensated other officers of the Company and its subsidiaries (each such person a "covered executive") to the extent such compensation exceeds $1,000,000. However, such deduction limit does not generally apply to certain performance-based compensation paid to a covered executive if the material terms of the performance goals under which such compensation is determined and paid are disclosed to and approved by the shareholders of the Company.

The Company maintains the Cincinnati Bell Inc. Short Term Incentive Plan (the "Short Term Incentive Plan") under which awards can be made to key executives of the Company and its subsidiaries based on short-term performance objectives. Any award granted under the plan to a key executive will be made with respect to a specific calendar year (the award's "award year") and will, only if certain conditions are met, provide for the payment to the executive of a lump sum cash amount in the first quarter of the next following calendar year (or sooner in the event of a change in control of the Company, as is defined in the plan). No more than one award may be granted to a key executive under the plan with respect to any calendar year.

The Company's shareholders at their 2000 annual meeting approved the Short Term Incentive Plan, including the material terms of the performance goals under which certain compensation is paid under the Short Term Incentive Plan.

The Board's Compensation Committee (for purposes of this discussion as to the Short Term Incentive Plan, the "Committee") administers the Short Term Incentive Plan. The Committee may amend or terminate the Short Term Incentive Plan as long as such action does not impair the rights of key executives with respect to previously granted awards unless such key executive's consent is obtained. In addition, shareholder approval is required to change the class of persons eligible to receive awards or to make any change that requires shareholder approval under Section 162(m) of the Code or any other applicable law.

Since the Committee has the authority and discretion to set the specific performance goals under the awards of the Short Term Incentive Plan, regulations of the IRS issued under Code Section 162(m) require that, for the performance-based compensation made to any covered executive under the plan to avoid being subject to the deduction limits of Code Section 162(m), the Company must again disclose to the Company's shareholders the material terms of the performance goals under which compensation can be paid under the plan and the shareholders must once again approve such terms no later than at their 2005 annual meeting. As a result, the Company is asking the Company's shareholders to reapprove the material terms of the performance goals under which compensation can be paid under the plan. No changes are being made to the Short Term Incentive Plan.

The reapproval by the Company's shareholders of the performance goals is not needed to permit the Committee to continue granting awards under the plan and such awards can continue to be made regardless of whether or not such reapproval is obtained; such reapproval is needed only to permit the Company to deduct for federal income tax purposes the compensation paid to covered executives that result from performance-based plan awards without regard to the deduction limits of Section 162(m) of the Code.

Material Terms of Performance Goals.

Following is a summary of the material terms of the performance goals under which compensation can be paid under the Short Term Incentive Plan. Such summary is qualified in its entirety by the complete text of the Short Term Incentive Plan, a copy of which is attached as **Appendix B**.

1. Employees Eligible to Receive Awards.

The employees who are eligible for awards under the Short Term Incentive Plan are all key executives of the Company and its subsidiaries. A key executive refers to an employee of the Company or a subsidiary of the Company whose regular and incentive compensation is principally established by the Committee. Currently, five key executives participate in the Short Term Incentive Plan.

In general, the Committee selects the specific key executives to whom awards will be granted under the Short Term Incentive Plan and the terms of any such award (subject to the terms of the plan).

2. Use of Performance Goals Under Awards and Maximum Amount of Compensation.

All awards made under the Short Term Incentive Plan are based on performance goals, and the plan also sets forth certain limits on the maximum amount of compensation that can be paid to any key executive under the plan.

Any award granted under the Short Term Incentive Plan to a key executive will be payable only upon the meeting of certain performance goals based on any of the business criteria noted in the "Business Criteria" section below (and certain other conditions contained in the award, including a requirement that the key executive generally (i) either be an employee of the Company or a subsidiary of the Company on the last day of the award's award year or have terminated his or her employment with the Company and its subsidiaries during such year because of his or her disability, retirement or death and (ii) have had at least three months of active service for the Company and its subsidiaries during the award's award year).

Any such award will specify a standard payment amount (the award's "standard award level") if certain but not all (or a certain level but not the highest level) of the performance goals applicable to the award are met and will also specify payment amounts more or less than the standard award level if additional or fewer (or if a higher or lower level) of the performance goals applicable to the award are met. In no event may the amount of any award exceed 200% of the award's standard award level or, if less, $3,000,000.

Any performance goal will be based on the business criteria noted in the "Business Criteria" section below and will be measured or determined on the basis of the applicable award's award year, must be established not later than ninety days after the commencement of the award year and must have an outcome that is substantially uncertain at the time the goal is established.

In addition, any such performance goal (i) may be measured or determined for the Company, for any subsidiary of the Company, for the Company and all of the Company's subsidiaries in the aggregate or for any group of corporations that are included in the entire group of the Company and its subsidiaries 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, a performance goal that applies to an award granted under the Short Term Incentive Plan must be able to be objectively determined, and the satisfaction of such goal must be verified by the Committee.

The amount payable under any award granted to a key executive under the Short Term Incentive Plan will generally be reduced if the key executive is entitled to payment under the award but was not in the active service of the Company and its subsidiaries for the entire award year of the award because of his or her retirement, death, disability or leave of absence, and the Committee also has discretion to reduce, but not to increase, the payment otherwise called for by the award; for example, if it determines the satisfaction of the award's performance goals were unduly affected by extraordinary or nonrecurring events or because the key executive to whom the award was granted failed to meet certain individual goals set for him or her by the Committee or his or her managers.

The rules described in this part of the discussion (together with the approval by the Company's shareholders of the material terms of the Short Term Incentive Plan's performance goals and certain other conditions being met under the plan) generally, under the IRS's regulations, will permit the compensation to a covered executive that results from an award granted under the plan to avoid being subject to the deduction limits of Section 162(m) of the Code.

In certain cases, an amount may be payable under an award granted under the Short Term Incentive Plan in the event that a change in control of the Company occurs during or soon after the end of the award's award year regardless of whether or not the performance goals applicable to the award are met. In such a case, such amount, if payable to a covered executive, will be subject to the deduction limits of Section 162(m) of the Code even if the Company's shareholders reapprove the material terms of the performance goals applicable to the plan's awards.

3. Business Criteria.

Under the plan, the business criteria on which any performance goals applicable to a plan award can be based must be one or more of the following criteria (measured or determined for the Company, for any subsidiary of the Company, for the Company and all of the Company's subsidiaries in the aggregate or for any group of corporations that are included in the entire group of the Company and its subsidiaries and with respect to an award year):

- earnings before interest, taxes, depreciation and amortization;
- earnings per share;

- operating income;
- total shareholder returns;
- cash generation targets (which includes free cash flow, which refers to the Company's earnings before income taxes, depreciation and amortization, minus the Company's capital expenditures and plus or minus the Company's changes in working capital);
- profit targets;
- revenue targets;
- profitability targets as measured by return ratio;
- net income;
- return on sales;
- return on assets;
- return on equity; and
- corporate performance indicators (which are indices based on the level of service provided to customers).

Plan Benefits.

Since awards payable under the Short Term Incentive Plan are based upon satisfaction of certain performance goals each year, it cannot be determined at this time what amounts under the Short Term Incentive Plan will be granted in the 2005 fiscal year. The awards granted to the executive officers of the Company named in the Summary Compensation Table on page 32 for the 2004 fiscal year are identified in such Summary Compensation Table and described in the Compensation Committee Report on page 29.

Reapproval of Material Terms of Performance Goals.

As has been indicated above, we are seeking shareholder reapproval of the material terms of the performance goals under which compensation may be paid under the Short Term Incentive Plan in order to permit any awards granted under the plan to covered executives which are based on certain performance goals to be able to be deducted by the Company and its subsidiaries without regard to the deduction limits of Section 162(m) of the Code.

Without such reapproval by the Company's shareholders at their 2005 annual meeting, awards granted under the Short Term Incentive Plan to covered executives may be subject to the deduction limits of Code 162(m) of the Code, thereby possibly increasing the taxes that will have to be paid by the Company and its subsidiaries in connection with compensation paid to the covered executives.

Our Recommendation.

Reapproval of the material terms of the performance goals under which compensation can be paid under the Cincinnati Bell Inc. Short Term Incentive Plan requires the affirmative vote of the holders of the majority of the common shares and preferred shares, acting as one class, present or represented at the annual meeting, in person or by proxy, and entitled to vote on this proposal. Abstentions will count as votes against the proposal. Broker non-votes do not count for voting purposes. The Board recommends a vote FOR adoption of the proposal.

Effect of Management Vote.

Since the directors and officers of the Company own beneficially 5,855,741 voting shares, or 2.37% of the outstanding voting shares, their votes on the proposal are not likely to have a material impact on whether this proposal is adopted.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of the end of 2004 regarding securities of the Company to be issued and remaining available for issuance under the Long Term Incentive Plan and other equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of stock options, warrants and rights	Weighted-average exercise price of outstanding stock options	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	24,503,567 (1)	$12.06	34,705,815
Equity compensation plans not approved by security holders	115,635 (2)	—	—
Total	24,619,202	$12.06	34,705,815

(1) Includes 24,363,567 outstanding stock options not yet exercised and 140,000 shares of restricted stock, restrictions on which have not yet expired. Awards were granted under various incentive plans approved by Cincinnati Bell Inc. shareholders.

(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 equal to the equivalent of a number of common shares (250 common shares in 1997, 500 common shares in 1998, 1,163 common shares in 1999 and 1,500 common shares from 2000 to 2004) and for the years commencing January 2005, the award is in the amount of the equivalent of 6,000 common shares. As a result of a plan amendment effective as of January 1, 2005 that requires the payout of all annual awards to be made in cash, the number of shares to be issued pursuant to the plan as of March 29, 2005 is reduced to approximately 58,300. The plan provides that all awards are payable provided that such non-employee director completes at least five years of active service as a non-employee director or if he or she dies while a member of the Board of Directors.

STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of common shares and 6¾% Cumulative Convertible Preferred Shares as of March 4, 2005 (except as otherwise noted) by (i) each beneficial owner of more than five percent (5%) of either class of stock, (ii) each director and each executive officer named in the Summary Compensation Table on page 32, and (iii) all directors and executive officers of the Company as a group.

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

Name and Address of Beneficial Owner	Common Shares Beneficially Owned as of March 4, 2005 (unless otherwise noted)(a)	Percent of Common Shares(h)	6¾% Cumulative Convertible Preferred Shares Owned as of March 4, 2005(i)	Percent of 6¾% Cumulative Convertible Preferred Shares(i)
Legg Mason Funds Management, Inc. and affiliates 100 Light Street Baltimore, MD 21202	15,825,000 (b)	6.42%		
Brandes Investment Partners, L.P. and affiliates c/o Brandes Investment Partners, Inc. 11988 El Camino Real, Suite 500 San Diego, CA 92130	16,719,209 (c)	6.78%		
Shapiro Capital Management Company, Inc. 3060 Peachtree Road, Suite 1555 N.W. Atlanta, GA 30305	14,989,314 (d)	6.08%		
Barclays Global Investors, NA and affiliates 45 Fremont Street San Francisco, CA 94105	13,830,536 (e)	5.61%		
Gabelli Asset Management Company and affiliates One Corporate Center Rye, NY 10580	13,979,200 (f)	5.67%	9,442.50 (j)	6.08%
Citadel Limited Partnership and affiliates 131 S. Dearborn Street, 32nd Floor Chicago, IL 60603	13,356,950 (g)	5.42%		
Bruce L. Byrnes	53,635	*		
Michael W. Callaghan	557,234	*		
John F. Cassidy	2,567,299	*		
Phillip R. Cox	79,986	*		
Karen M. Hoguet	84,325	*		
Brian G. Keating	128,360	*		
Robert W. Mahoney	25,000	*		
Daniel J. Meyer	81,000	*		
Michael G. Morris	42,351	*		
Carl Redfield	61,000	*		
Brian A. Ross	340,577	*		
David B. Sharrock	80,052	*		
Christopher J. Wilson	114,529	*		
John M. Zrno	1,137,650	*		
All directors and executive officers as a group (consisting of 18 persons, including those named above)	5,855,716	2.38%	25	*

* indicates ownership of less than 1% of outstanding shares

(a) Includes common shares subject to outstanding options under the Cincinnati Bell Inc. 1997 Long Term Incentive Plan and the Directors Stock Option Plan that are exercisable by such individuals within 60 days. The following options are included in the totals: 34,000 common shares for Mr. Byrnes; 502,570 common shares for Mr. Callaghan; 1,908,670 common shares for Mr. Cassidy; 76,925 common shares for Mr. Cox; 80,625 common shares for Ms. Hoguet; 81,620 common shares for Mr. Keating; 25,000 common shares for Mr. Mahoney; 70,000 common shares for Mr. Meyer; 34,000 common shares for Mr. Morris; 61,000 common shares for Mr. Redfield; 247,970 common shares for Mr. Ross; 73,250 common shares for Mr. Sharrock; 64,520 common shares for Mr. Wilson; and 1,132,650 common shares for Mr. Zrno.

(b) As reported on a Schedule 13G/A filed on February 15, 2005, as of December 31, 2004, Legg Mason Funds Management, Inc. owned 11,844,000 common shares, LLM, LLC owned 2,632,800 common shares, and Legg Mason Capital Management, Inc. owned 1,348,200 common shares.

(c) As reported on Schedule 13G filed on February 14, 2005, as of December 31, 2004, Brandes Investment Partners, LP and its affiliates, owned 16,719,209 common shares.

(d) As reported on Schedule 13G filed on January 25, 2005 by Shapiro Capital Management Company, Inc., as of December 31, 2004, owned 14,989,314 common shares.

(e) As reported on Schedule 13G filed on February 14, 2005 by Barclays Global Investors, NA, as of December 31, 2004, Barclays Global Investors, NA owned 9,168,260 common shares, Barclays Global Fund Advisors owned 4,505,176 common shares and Palomino Limited owned 157,100 common shares.

(f) As reported on Schedule 13F filed on February 11, 2005 by Gabelli Asset Management Company, as of December 31, 2004, Gabelli Asset Management Company owned 10,044,200 common shares and Gabelli Funds, LLC owned 3,935,000 common shares.

(g) As reported on Schedule 13G/A filed on February 14, 2005, Citadel Limited Partnership and its affiliates, as of December 31, 2004, owned 13,356,950 common shares.

(h) These numbers are based upon 246,538,383 common shares outstanding as of the Record Date.

(i) These numbers represent 6¾% Convertible Preferred Shares. In the aggregate, the 155,250 outstanding 6¾% Convertible Preferred Shares are represented by 3,105,000 Depositary Shares and each 6¾% Convertible Preferred Share is represented by 20 Depositary Shares.

(j) As reported on Schedule 13F filed on February 11, 2005 by Gabelli Asset Management Company, as of December 31, Gabelli Asset Management Company owned 3,042.5 6¾% Convertible Preferred Shares (which are represented by 60,850 Depositary Shares) and Gabelli Funds, LLC owned 6,400 6¾% Convertible Preferred Shares (which are represented by 128,000 Depositary Shares).

EXECUTIVE COMPENSATION

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 on Executive Compensation

The Compensation Committee of the Board of Directors administers Cincinnati Bell's executive compensation program. The Compensation Committee, which is composed of non-employee directors, is responsible for approving and reporting to the Board on all elements of compensation for the Company's Chief Executive Officer and other executive officers. The Committee has a written charter that sets forth its duties and responsibilities, including the requirement to conduct annually a self-assessment of the Committee's performance. The Compensation Committee Charter is available on the Company's website, www.cincinnatibell.com, in the Corporate Governance Section of the Corporate Information webpage. Further, the Committee retains Mr. Charles Mazza, a consultant independent of the Company, to assist it in evaluating matters presented to the Committee as well as the operation of the Committee itself.

Compensation Philosophy

The principles of the executive compensation program established by the Compensation Committee are that:

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

Executive Compensation Practices

The Compensation Committee targets each executive officer's total direct compensation (base salary, annual incentive compensation and long-term incentive compensation) to be competitive with the revenue adjusted median of the marketplace, using information from general industry surveys and a study group of companies from the telecommunications industry whose products and services closely parallel those of the Company and who likely seek executives with similar kinds of skills and experience. The study group of telecommunications companies was initially proposed for consideration by Towers Perrin, an outside compensation consulting firm retained to assist the Company each year, and consists of companies that participate in a survey by Towers Perrin. The proposed group of companies is reviewed by the Committee's independent consultant for reasonableness and is further reviewed by the Committee itself prior to initiating any study of competitive compensation practices. Competitive marketplace data, however, is only one determinant of setting executive pay. Results against the Company's business goals along with the Committee's evaluation of other personal performance factors are carefully considered in determining executive pay.

Components of Executive Compensation

The Company's compensation program for executive officers consists of three components: base salary, annual incentive compensation and long-term incentive compensation.

Base Salary. Based on its review of the market data and an assessment of an individual's personal performance during the year, the Compensation Committee approved base salary increases during 2004 for Messrs. Cassidy and Ross. No base salary adjustments were made for 2004 for any of the other named executives shown in the Summary Compensation Table. The base salaries for the last three years paid to Messrs. Cassidy, Ross, Callaghan, Wilson and Keating appear in the Summary Compensation Table on page 32.

Annual Incentive. The Cincinnati Bell Inc. Short Term Incentive Plan, in which all of the above-named executives participated, is one of the means by which the Compensation Committee encourages the Company's management to enhance shareholder value. As in the case of base salary, short-term award targets under this plan for 2004 were benchmarked against market data. Any award granted under the plan to an executive generally will specify a standard payment amount (the award's "standard award level") if certain but not all (or a certain level but not the highest level) of the performance goals applicable to the award are met and will also specify payment amounts more or less than the standard award level if additional or fewer (or if a higher or lower level) of the performance goals applicable to the award are met. The payment of the annual incentive awards for fiscal year 2004 to Messrs. Cassidy, Ross, Callaghan, Wilson and Keating was based on (i) the Company achieving between 95% and 110% of targeted levels of net income, revenue and debt reduction, and (ii) individual performance, weighted as follows: (a) net income — 30%, (b) revenue — 20%, (c) debt reduction — 30%, and (d) individual performance — 20%. The short term awards received by Messrs. Cassidy, Ross, Callaghan, Wilson and Keating in 2004 appear in the Summary Compensation Table on page 32.

On December 3, 2004, the Compensation Committee set the short-term award targets for fiscal year 2005 under the Cincinnati Bell Inc. Short-Term Incentive Plan. Payment of the annual incentive is based on (i) the Company achieving certain levels of net income and revenue, and (ii) individual performance, weighted as follows: (a) net income — 60%, (b) revenue — 20%, and (c) individual performance — 20%. If Company benchmarks are achieved at between 95%–120% of goal, the executives will receive a payment of the annual incentive in an amount between 50% and 200% of target. For example: 95% of goal pays 50% of award target; 100% of goal pays 100% of award target; 105% of goal pays 150% of award target; and 120% of goal pays 200% of award target. The standard award levels for the Company's executive officers are: Mr. Cassidy — $774,000; Mr. Ross — $297,500; Mr. Callaghan — $112,500; Mr. Wilson — $125,000; and Mr. Keating — $112,500.

Long-Term Incentives. The Company's executive compensation program currently includes stock options, but may also include restricted stock and/or performance unit awards when determined appropriate by the Compensation Committee. The long-term incentive program, along with stock acquired by the executive over time, are intended to more closely align the interests of the Company's executive officers with those of the Company's shareholders.

In the discretion of the Compensation Committee, the Company awards stock options for the purchase of common shares under the Company's Long Term Incentive Plan. On December 3, 2004, the Compensation Committee granted the following stock options: Mr. Cassidy — 666,100 stock options; Mr. Ross — 150,000 stock options; Mr. Callaghan — 75,000 stock options, Mr. Wilson — 75,000 stock options; and Mr. Keating — 75,000 stock options. In addition to the December stock option grant, on January 29, 2004, the Committee awarded Mr. Ross a grant of stock options for 300,000 shares in conjunction with his appointment as Chief Financial Officer.

In February 2004, the Compensation Committee made the following awards of restricted shares: Mr. Ross — 10,000 restricted shares; Mr. Callaghan — 10,000 restricted shares, Mr. Wilson — 10,000 restricted shares; and Mr. Keating — 10,000 restricted shares.

The restricted shares and stock options in 2004 received by Messrs. Cassidy, Ross, Callaghan, Wilson and Keating appear in the Summary Compensation Table on page 32.

Compensation of the Chief Executive Officer

Based upon the Company's actual net income, revenue, net debt reduction results for 2004 and an evaluation of his personal performance, Mr. Cassidy received the base salary and annual bonus shown in the Summary Compensation Table on page 32. In December 2004, he received options to purchase 666,100 common shares as shown on page 31.

Compensation Limitation

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

Compensation Committee:
David B. Sharrock, Chairman
Bruce L. Byrnes
Phillip R. Cox
Daniel J. Meyer
Michael G. Morris

SUMMARY COMPENSATION TABLE

The following table shows the compensation of the Chief Executive Officer and the other four most highly compensated executive officers of the Company for services to the Company during fiscal year 2004, as well as their compensation for each of the fiscal years ending December 31, 2003 and December 31, 2002.

		Annual Compensation			Long-Term Compensation			
					Awards		Payouts	
Name and Principal Position(a)	Year	Salary ($)(b)	Bonus ($)	Other Annual Compensation ($)(c)	Restricted Stock Awards(s) ($)(d)	Securities Underlying Options/SARs (#)	Long-Term Incentive Payouts ($)	All Other Compensation ($)(e)
John F. Cassidy	2004	$669,808	$846,602	0	$ 0	666,100	$0	$ 8,200
President and	2003	$550,000	$720,000	0	$ 0	801,000	$0	$ 8,000
Chief Executive Officer	2002	$496,154	$433,000	0	$ 0	600,000	$0	$ 8,000
Brian A. Ross	2004	$285,577	$253,419	0	$54,250	450,000 (f)	$0	$ 1,036
Chief Financial Officer	2003	$220,480	$158,760	0	$ 0	61,000	$0	$ 0
	2002	$216,351	$ 88,335	0	$ 0	60,000	$0	$ 7,391
Michael W. Callaghan	2004	$259,615	$123,053	0	$54,250	75,000	$0	$14,891
Senior Vice President —	2003	$250,000	$300,556 (g)	0	$ 0	51,000	$0	$ 9,539
Corporate Development	2002	$250,000	$115,000	0	$ 0	100,000	$0	$ 9,350
Christopher J. Wilson	2004	$233,654	$123,053	0	$54,250	75,000	$0	$ 8,047
Vice President and	2003	$174,631 (h)	$ 97,333	0	$ 0	51,000	$0	$ 7,325
General Counsel	2002	$137,308	$ 43,121	0	$ 0	20,000	$0	$ 6,424
Brian G. Keating	2004	$212,885	$112,115	0	$54,250	75,000	$0	$ 8,122
Vice President,	2003	$173,794 (i)	$ 94,443	0	$ 0	51,000	$0	$ 8,000
Human Resources	2002	$152,938	$ 54,179	0	$ 0	25,000	$0	$ 6,800
and Administration								

(a) Mr. Cassidy was named President and Chief Executive Officer effective July 31, 2003. Prior to that time, he served as Chief Operating Officer of the Company. Mr. Ross was named Chief Financial Officer on January 9, 2004. Prior to that time, he served as Senior Vice President, Finance and Accounting for Cincinnati Bell Telephone Company. Mr. Wilson was named Vice President and General Counsel effective August 4, 2003. Prior to that time, he served as Associate General Counsel of Cincinnati Bell Telephone Company. Mr. Keating was named Vice President Human Resources and Administration of Cincinnati Bell Inc. effective August 4, 2003. Prior to that time, he served as Vice President Human Resources and Administration of Cincinnati Bell Telephone Company.

(b) The 2004 Salary amount reported above for each proxy officer reflects a 27th pay check, instead of the more customary 26 bi-weekly pay check schedule, due to how the calendarization of the company's pay cycle fell during 2004. The actual 2004 annual salary rate for Messrs. Cassidy, Ross, Callaghan, Wilson and Keating was $645,000, $275,000, $250,000, $225,000 and $205,000 respectively.

(c) Perquisites and other personal benefits are not reported because the total amount of such compensation, if any, does not exceed the lesser of $50,000 or 10% of the total amount of the annual salary and bonus for the individual for the year.

(d) The amounts in this column reflect the value of restricted shares granted on February 5, 2004. Pursuant to the 1997 Long Term Incentive Plan each of Messrs. Ross, Callaghan, Wilson and Keating received 10,000 restricted shares. The restricted shares have a two-year vesting period.

(e) All other amounts in this column represent Company matching contributions to the Retirement Savings Plan and to the Executive Deferred Compensation Plan.

(f) Mr. Ross received two grants of stock options during 2004. The first grant of options was for 300,000 shares on January 29, 2004, in connection with Mr. Ross' appointment as Chief Financial Officer. The second grant of options was for 150,000 shares on December 3, 2004, in connection with the Company's award of long-term incentives.

(g) Mr. Callaghan's bonus amount consisted of an annual bonus in the amount of $119,306 and a "success bonus" in the amount of $181,250, which was paid in connection with the sale by the Company of the broadband business of BCSI Inc. (f/k/a Broadwing Communications Services Inc.).

(h) Mr. Wilson's base salary reflected a blend of his starting annual salary rate of $140,000 and, following his appointment as Vice President and General Counsel, an ending annual salary rate of $225,000.

(i) Mr. Keating's base salary reflected a blend of his starting annual salary rate of $154,020 and, following his appointment as Vice President Human Resources and Administration of Cincinnati Bell Inc., an ending annual salary rate of $205,000.

Grants of Stock Options in Last Fiscal Year

The following table shows all individual grants by the Company of stock options to purchase common shares granted to the named executive officers of the Company during the fiscal year ended December 31, 2004:

Name	Number of Securities Underlying Options Granted (#)(a)	% of Total Options Granted to Employees In Fiscal Year	Exercise Price ($/Sh)	Expiration Date	Potential Realizable Value At Assumed Annual Rates of Stock Price Appreciation for Option Term(b) 5%($)	10%($)
John F. Cassidy	666,100	31.70%	$3.700	12/03/14	$1,550,015	$3,927,858
Brian A. Ross	150,000	7.14%	$3.700	12/03/14	$ 349,050	$ 884,520
	300,000	14.28%	$5.570	01/29/14	$1,050,840	$2,663,220
Michael W. Callaghan	75,000	3.57%	$3.700	12/03/14	$ 174,525	$ 442,260
Christopher J. Wilson	75,000	3.57%	$3.700	12/03/14	$ 174,525	$ 442,260
Brian G. Keating	75,000	3.57%	$3.700	12/03/14	$ 174,525	$ 442,260

(a) The material terms of the options granted are: grant type: non-incentive; exercise price: fair market value on grant date; exercise period: generally exercisable 28% after one year, and 3% per month for the next 24 months thereafter; term of grant: 10 years; termination: except in case of retirement, disability, death or change in control of the Company, any unexercisable options are generally cancelled upon termination of employment.

(b) As required by rules of the SEC, potential values stated are based on the prescribed assumption that the common shares will appreciate in value from the date of the grant to the end of the option term (ten years from the date of the grant) at annualized rates of 5% and 10% (total appreciation of 62.9% and 159.4%) resulting in values of $9.0728 and $14.4474 for all options expiring on January 29, 2014 and $6.0270 and $9.5968 for all options expiring on December 3, 2014. They are not intended, however, to forecast possible future appreciation, if any, in the price of the common shares. The total of all stock options granted to employees, including executive officers, during fiscal 2004 was approximately 0.85% of the total number of common shares outstanding as of December 31, 2004. As an alternative to the assumed potential realizable values stated in the above table, the SEC's rules would permit stating the present value of such options at date of grant. Methods of computing present values suggested by different authorities can produce significantly different results. Moreover, since stock options granted by the Company are not transferable to persons other than family members, there are no objective criteria by which any computation of present value can be verified. Consequently, the Company's management does not believe there is a reliable method of computing the present value of such stock options for proxy disclosure purposes.

Aggregate Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table shows aggregate option exercises for common shares in the last fiscal year by each of the named executive officers and fiscal year-end values of each such officer's unexercised options at December 31, 2004:

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options at FY-End (#) Exercisable (E)/ Unexercisable (U)	Value of Unexercised In-the-Money Options at FY-End ($)(a) Exercisable (E)/ Unexercisable (U)
John F. Cassidy	0	N/A	1,800,580 (E)	$238,080 (E)
			1,458,820 (U)	$400,360 (U)
Brian A. Ross	0	N/A	145,880 (E)	$ 23,808 (E)
			515,520 (U)	$ 73,392 (U)
Michael W. Callaghan	0	N/A	491,980 (E)	$ 39,680 (E)
			147,720 (U)	$ 52,320 (U)
Christopher J. Wilson	0	N/A	58,730 (E)	$ 7,936 (E)
			118,920 (U)	$ 34,464 (U)
Brian G. Keating	0	N/A	75,530 (E)	$ 9,920 (E)
			120,720 (U)	$ 35,580 (U)

(a) On December 31, 2004, the value of a common share on the NYSE (based on the average of the high and low price of the common shares on such date) was $4.10 per share.

EMPLOYMENT CONTRACTS, TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENTS

Employment Agreement with Mr. Cassidy

Effective January 1, 1999 (as amended September 20, 2002), the Company entered into an Employment Agreement with Mr. Cassidy which provided for the employment and retention of Mr. Cassidy for a four-year term commencing January 31, 1999 subject to automatic one-year extensions. The Employment Agreement provides for a minimum base salary of $550,000 per year and a minimum bonus target of $495,000 per year (pursuant to the September 20, 2002 amendment); a grant of options to purchase 30,000 common shares in 1999 and an amount to be determined each year for subsequent years; a restricted stock award in 1999 of 40,000 common shares which vested on May 23, 2003; and a supplemental non-qualified pension as described in the paragraph below.

If Mr. Cassidy's employment terminates after April 8, 2001 and prior to April 7, 2006, his non-qualified pension will be equal to that portion of his accrued pension under the Cincinnati Bell Inc. Pension Plan (f/k/a Cincinnati Bell Management Pension Plan) that is attributable to his first five years of service. If his employment terminates on or after April 8, 2006, his non-qualified pension shall equal that portion of his accrued pension under the Cincinnati Bell Inc. Pension Plan that is attributable to his first ten years of service. Mr. Cassidy's pension shall be paid to him (or his estate if his employment terminates by reason of death) in a single lump sum within ninety days after the termination of his employment.

The Employment Agreement provides that, in the event that the Company terminates Mr. Cassidy's employment (other than for cause or disability or within two years of a change in control of the Company), Mr. Cassidy will receive a lump sum payment equal to the greater of (a) two times his base salary rate and bonus target or (b) the base salary rate and bonus target for the remainder of the term of the Employment Agreement, plus certain continued medical, dental, vision and life insurance coverages. If Mr. Cassidy's employment terminates within two years following a change in control of the Company, Mr. Cassidy will receive a lump sum payment equal to two times his annual base salary and bonus target on the date of termination, plus certain continued medical, dental, vision and life insurance coverages. In addition, to the extent that Mr. Cassidy is deemed to have received an excess parachute payment by reason of a change in control, the Company will pay Mr. Cassidy an additional sum sufficient to pay (i) any taxes imposed under Section 4999 of the Code plus (ii) any federal, state and local taxes applicable to such additional sum.

Employment Agreement with Mr. Callaghan

Effective December 4, 2001 (as amended February 3, 2003, October 22, 2003 and December 3, 2004), the Company entered into an Employment Agreement with Mr. Callaghan which provides for the employment and retention of Mr. Callaghan for a two-year term subject to automatic one-year extensions. The Employment Agreement provides for a minimum base salary of $250,000 per year; a bonus target of $100,000 per year; and a grant of options to purchase 100,000 common shares in 2001 and an amount to be determined each year for subsequent years.

The Employment Agreement provides that, in the event that the Company terminates Mr. Callaghan's employment other than for cause or disability; or terminates his employment within one year of a change in control of the Company; or if he resigns within 90 days following a change in control of the Company, Mr. Callaghan will receive a lump sum payment equal to two times his base salary rate and bonus target, plus certain continued medical, dental, vision and life insurance coverages. In addition, to the extent that Mr. Callaghan is deemed to have received an excess parachute payment by reason of a change in control, the Company will pay Mr. Callaghan an additional sum sufficient to pay (i) any taxes imposed under Section 4999 of the Code plus (ii) any federal, state and local taxes applicable to such additional sum.

Employment Agreement with Mr. Wilson

Effective January 8, 2004, the Company entered into an Employment Agreement with Mr. Wilson which provides for the employment and retention of Mr. Wilson for a one-year term subject to automatic one-year extensions. The Employment Agreement provides for a minimum base salary of $225,000 per year and a minimum bonus target of $112,500 per year.

The Employment Agreement provides that, in the event that the Company terminates Mr. Wilson's employment other than for cause or disability or terminates his employment within one year of a change in control of the Company, Mr. Wilson will receive a lump sum payment equal to one times his base salary rate and bonus target, plus certain continued medical, dental, vision and life insurance coverages. In addition, to the extent that Mr. Wilson is deemed to have received an excess parachute payment by reason of a change in control, the Company will pay Mr. Wilson an additional sum sufficient to pay (i) any taxes imposed under Section 4999 of the Code plus (ii) any federal, state and local taxes applicable to such additional sum.

Employment Agreement with Mr. Keating

Effective June 26, 2000, the Company entered into an Employment Agreement with Mr. Keating which provides for the employment and retention of Mr. Keating for a one-year term subject to automatic one-year extensions. The Employment Agreement provides for a minimum base salary of $125,000 per year; a minimum bonus target of $37,500 per year; and a grant of options to purchase 6,200 common shares in 2000 and an amount to be determined each year for subsequent years.

The Employment Agreement provides that, in the event that the Company terminates Mr. Keating's employment other than for cause or disability or terminates his employment within one year of a change in control of the Company, Mr. Keating will receive a lump sum payment equal to one times his base salary rate and bonus target, plus certain continued medical, dental, vision and life insurance coverages. In addition, to the extent that Mr. Keating is deemed to have received an excess parachute payment by reason of a change in control, the Company will pay Mr. Keating an additional sum sufficient to pay (i) any taxes imposed under Section 4999 of the Code plus (ii) any federal, state and local taxes applicable to such additional sum.

Executive Deferred Compensation Plan

The Executive Deferred Compensation Plan permits, for any calendar year, each employee whose base pay and targeted bonus for the immediately preceding calendar year was at least $210,000 (a "key employee") 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 cash awards under the Long Term Incentive Plan) and up to 100% of any common share awards (not including awards of stock options or restricted stock) provided him or her under the Long Term Incentive Plan. In addition, any key employee who has received a restricted stock award under the Long Term Incentive Plan may generally elect to surrender any of the restricted shares of such award as long as such surrender is at least six months prior to the date on which the restrictions applicable to such shares would otherwise have lapsed. 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, to the extent a participating key employee's base salary and cash bonuses for the applicable year do not exceed a certain annual compensation limit prescribed by the Code for tax-qualified plans (which limit was $205,000 for 2004 and $200,000 for 2003), the match is 4% of the base salary and cash bonuses deferred by the employee under the plan. To the extent a participating key employee's base salary and cash bonuses for the applicable year exceed the appropriate annual compensation limit, the match is generally equal to the lesser of 66⅔% of the base salary and cash bonuses deferred by the key employee under the plan or 4% of the key employee's base salary and cash bonuses for the applicable year that are in excess of such annual compensation limit.

Amounts deferred or surrendered 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, except that any restricted stock that is surrendered under the plan is generally assumed to be invested in common shares until at least six months after the date on which the restrictions applicable to such shares would otherwise have lapsed and that any common share awards that are deferred under the plan are assumed to be invested in common shares.

The accounts under the Executive Deferred Compensation Plan are funded, and benefits are paid from the assets of the Executive Deferred Compensation Plan.

Upon the termination of employment of any participant under the Executive Deferred Compensation Plan, the amounts then credited to the participant's account are generally distributed, as so elected by the participant, in one to ten annual installments (in cash and/or common shares), except that any amounts credited to his or her account under the plan that are attributable to his or her surrender of restricted stock (not including amounts that were credited to such account as assumed cash dividends on such stock) are forfeited if the restricted stock would have been forfeited at the time of the participant's termination of employment had such stock not been surrendered under 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 2004 "match" for Mr. Callaghan under the Executive Deferred Compensation Plan is reflected in the Summary Compensation Table on page 32 under the "All Other Compensation" column. None of the other named executives participated in the Executive Deferred Compensation Plan during 2004.

Defined Benefit or Actuarial Plan Disclosure

All of the named executive officers of the Company participated during 2004 in the Cincinnati Bell Inc. Pension Plan (the "Management Pension Plan"), which was formerly named the Cincinnati Bell Management Pension Plan and which is a tax-qualified defined benefit pension plan. Mr. Cassidy also participates in the Cincinnati Bell Inc. Pension Program (the "Pension Program").

The basic benefit formula under the Management Pension Plan is a cash balance formula. Under this formula, each participant has an account to which pension credits are allocated at the end of each year based upon the participant's attained age and plan compensation for the year (with such plan compensation being subject to a maximum legal annual compensation limit, which limit was $205,000 for 2004 and $200,000 for 2003). To the extent that a participant's plan compensation exceeds the aforementioned annual compensation limitation, additional pension credits are given for such excess compensation. The following chart shows the annual pension credits that are given at the ages indicated:

Attained Age	Pension Credits
Less than 30 years	3.00% of total plan compensation plus 3.00% of excess compensation for 2004
30 but less than 35 years	3.25% of total plan compensation plus 3.25% of excess compensation for 2004
35 but less than 40 years	3.75% of total plan compensation plus 3.75% of excess compensation for 2004
40 but less than 45 years	4.50% of total plan compensation plus 4.50% of excess compensation for 2004
45 but less than 50 years	5.25% of total plan compensation plus 5.25% of excess compensation for 2004
50 but less than 55 years	6.50% of total plan compensation plus 6.50% of excess compensation for 2004
55 or more years	8.00% of total plan compensation plus 8.00% of excess compensation for 2004

A participant's account under the Management Pension Plan is also generally credited with assumed interest for each calendar year at a certain interest rate. Such interest rate was 4.0% per annum for 2004 with respect to a participant while he or she is still employed by the Company or a Company subsidiary and 3.5% (or 4.0% if a participant elects out of a pre-retirement death benefit) for a participant while he or she is not so employed. (In the case of a participant who was a participant in the Management Pension Plan on December 31, 1993 or who has benefits transferred from other plans to the Management Pension Plan, the participant's account also was credited with pension credits equivalent to the participant's accrued benefit on that date or when such benefits are transferred, as the case may be.)

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

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

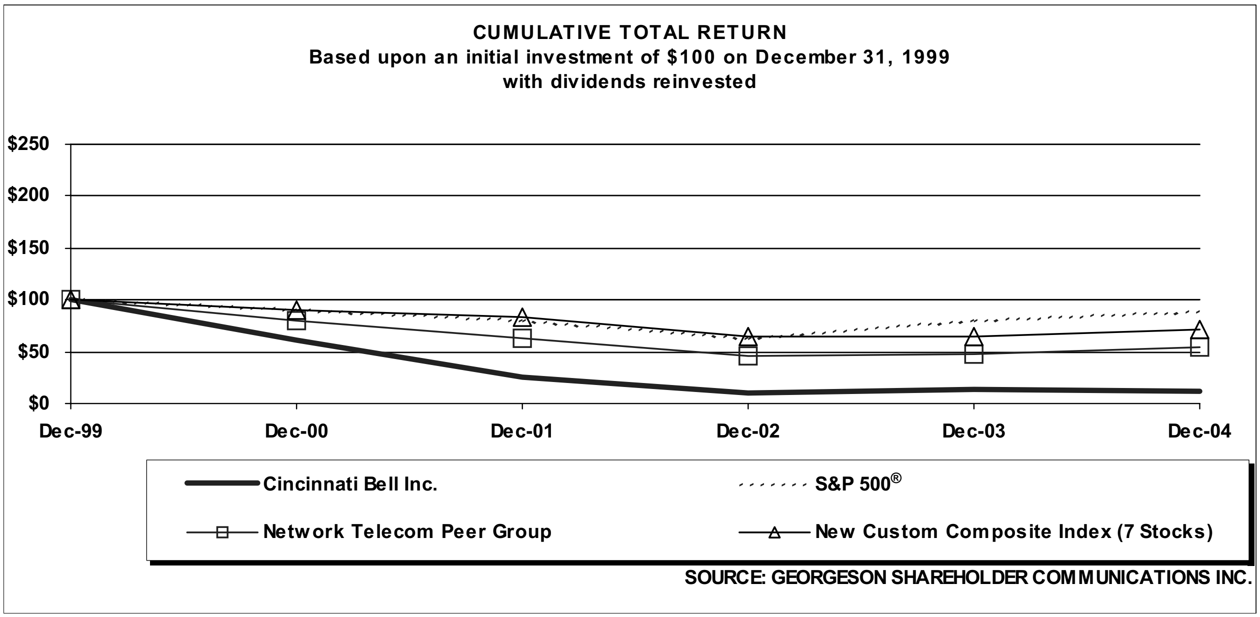
If Messrs. Cassidy, Ross, Callaghan, Wilson and Keating were to continue in employment and retire at the normal retirement age of 65, their estimated straight life annuity annual pension amounts under the Management Pension Plan (plus the Pension Program combined prior to the deduction for Social Security in the case of Mr. Cassidy) would be: $709,500 for Mr. Cassidy, $198,300 for Mr. Ross, $61,600 for Mr. Callaghan, $165,400 for Mr. Wilson and $118,300 for Mr. Keating. These annual pension amounts would be reduced: in the case of Mr. Cassidy (age 50 and 8 years of service), if he retires prior to age 58; in the case of Mr. Ross (age 47 and 6 years of service), if he retires prior to age 65; in the case of Mr. Callaghan (age 57 and 10 years of service), if he retires prior to age 65; in the case of Mr. Wilson (age 39 and 6 years of service), if he retires prior to age 65; and in the case of Mr. Keating (age 51 and 26 years of service), if he retires prior to age 65.

Effect of Change in Control on Certain Executive Compensation Plans

Under the Long Term Incentive Plan, in the event of a change in control, all outstanding stock options will become immediately exercisable, and all restrictions applicable to restricted stock awards will lapse and a pro rata portion of all accrued incentive awards will be paid in cash. Under the Executive Deferred Compensation Plan, the present value of all deferred amounts will be paid in cash in a lump sum in the event of a change in control. The present values of all accrued unfunded benefits under the Management Pension Plan and the Pension Program will be funded within five days after a change in control.

STOCK PERFORMANCE GRAPH

The graph below shows the cumulative total shareholder return assuming the investment of $100 on December 31, 1999 (and the reinvestment of dividends thereafter) in each of (i) the Company's common shares (ii) the S&P 500® Stock Index, (iii) the Network Telecom Peer Group, and (iv) the New Custom Composite Index. With the Company's transformation from a national carrier of data and Internet traffic to a local exchange company, the New Custom Composite Index should provide a more meaningful comparison between the Company's performance and that of its peers than the Network Telecom Peer Group used previously.



	Dec-99	Dec-00	Dec-01	Dec-02	Dec-03	Dec-04
Cincinnati Bell Inc.	$100	$62	$26	$10	$14	$11
S&P 500®	$100	$91	$80	$62	$80	$89
Network Telecom Peer Group	$100	$80	$63	$47	$47	$54
New Custom Composite Index (7 Stocks)	$100	$90	$83	$64	$64	$72

Proxy Statement

The Network Telecom Peer Group consists of ALLTEL Corp., Ameritech Corp. (through 3Q99), Verizon Communications (f/k/a Bell Atlantic Corp.), BellSouth Corp., Frontier Corp. (through 2Q99), Global Crossing Ltd., GTE Corp. (through 2Q00), Level 3 Communications Inc., Qwest Communications Intl. Inc., SBC Communications Inc., Sprint Fon Group, U S West, Inc. (through 2Q00) and Williams Communications Group (1Q00 through 3Q02). In the Stock Performance Graph in the Company's 2003 Proxy Statement, the Network Telecom Peer Group also included Southern New England Telecom Corp. (through 3Q98). In the Company's 2004 Proxy Statement, the Network Telecom Peer Group also included Ameritech Corp. (through 3Q99) and Frontier Corp. (through 2Q99).

The New Custom Composite Index consists of ALLTEL Corp., Bellsouth Corp., Commonwealth Telephone Enterprises Inc., Century Tel Inc., Citizens Communications Co., SBC Communications, Inc. and Verizon Communications.

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 and the NYSE and the National Stock Exchange (f/k/a the Cincinnati Stock Exchange). 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 they file. Such reports are filed on Forms 3, 4 and 5 under the Exchange Act. Based solely on the Company's review of the copies of such forms received by it, the Company believes that, during the period commencing January 1, 2004 and ending December 31, 2004, 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 Amy Collins, Secretary, Cincinnati Bell Inc., 201 East Fourth Street, Cincinnati, Ohio 45202, and must be received by December 2, 2005. Any such proposal must comply with Rule 14a-8 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended. Any shareholder, who intends to propose any other matter to be acted upon at the 2006 annual meeting of shareholders without inclusion of such proposal in the Company's Proxy Statement, must inform the Company no later than February 15, 2006. If notice is not provided by that date, the persons named in the Company's proxy for the 2006 annual meeting will be allowed to exercise their discretionary authority to vote upon any such proposal without the matter having been discussed in the Proxy Statement for the 2006 annual meeting of shareholders.

Shareholders may propose director candidates for consideration by the Governance and Nominating Committee of the Board of Directors. Any such recommendations should be directed to Amy Collins, Secretary, Cincinnati Bell Inc., 201 East Fourth Street, Cincinnati, Ohio 45202, and must be received no later than December 2, 2005 for the 2006 annual meeting of shareholders.

Other Matters to Come Before the Meeting

At the time this Proxy Statement was released for printing on March 29, 2005, 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 Cincinnati Bell Annual Report on Form 10-K for the year ended December 31, 2004, which includes the consolidated financial statements of the Company and its subsidiaries, and the Company's Summary Annual Report 2004 have been mailed to shareholders in the package of materials that includes this combined Proxy Statement, Form 10-K and Summary Annual Report. If you would like a copy of the combined Proxy Statement, Form 10-K and Summary Annual Report Form 10-K as filed with the SEC, or any other document incorporated by reference into this Proxy Statement, please write to Amy Collins, Secretary, Cincinnati Bell Inc., 201 East Fourth Street, Cincinnati, Ohio 45202, and the Company will send you one free of charge. You may also obtain a copy of any of the following corporate governance documents from the Company's website, www.cincinnatibell.com, in the Corporate Governance Section of the Corporate Information webpage or by writing Amy Collins, Secretary, Cincinnati Bell Inc., 201 East Fourth Street, Cincinnati, Ohio 45202 for a free copy: the Audit and Finance Committee Charter, the Compensation Committee Charter, the Governance and Nominating Committee Charter, the Code of Business Conduct, the Code of Ethics for Senior Financial Officers, the Code of Ethics for Directors and the 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 this combined Proxy Statement, Form 10-K and Summary Annual Report 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, Cincinnati Bell will promptly provide a separate copy of this combined Proxy Statement, Form 10-K and Summary Annual Report 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 combined Proxy Statement, Form 10-K and Summary Annual Report, but would like to receive a separate copy of this item as well as future Company communications, please contact the following:

For beneficial owners, please contact your broker.

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

Computershare Investor Services, LLC
Shareholder Services
7550 Lucerne Drive, Suite 103
Cleveland, Ohio 44130

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 Statements, Form 10-Ks and Annual Reports by registering on our website, www.cincinnatibell.com, in the Electronic Shareholder Communications Enrollment section of the Investor Relations webpage.

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

Shareholder Communications with the Board of Directors

Shareholders or other interested parties may communicate with the board of directors, any individual director, the non-management directors as a group, or the director who presides at meetings of the non-management directors. Cincinnati Bell has established procedures for such shareholder communications. Shareholders should send any communications to Amy Collins, Secretary, Cincinnati Bell Inc., 201 East Fourth Street, Cincinnati, Ohio 45202, and identify the intended recipient or recipients. All communications addressed to the board of directors or any identified director or directors will be forwarded to the identified person or persons.

By Order of the Board of Directors

Amy Collins

Amy Collins
Secretary

March 29, 2005

APPENDIX A

CINCINNATI BELL INC.
1997 LONG TERM INCENTIVE PLAN

(As amended and restated effective as of July 24, 2000 and incorporating later amendments dated January 1, 2001 and May 27, 2003)

1. Purpose.

1.1 The purpose of this plan, which shall be named the Cincinnati Bell Inc. 1997 Long Term Incentive Plan (the "Plan") and the sponsor of which is the Company (as defined in subsection 1.3 below), is to further the long term growth of the Company by offering competitive incentive compensation related to long term performance goals to those salaried employees of the Company and its Subsidiaries (as defined in subsection 1.3 below) who will be largely responsible for planning and directing such growth.

1.2 The Plan is also intended as a means of reinforcing a commonality of interest between the Company's shareholders and the employees who are participating in the Plan and as an aid to the Company and its Subsidiaries in attracting and retaining employees of outstanding abilities and specialized skills.

1.3 For purposes of the Plan, "Company" refers to Cincinnati Bell Inc. (which corporation was named Broadwing Inc. from April 20, 2000 to May 27, 2003) or, if applicable, any corporate successor to Cincinnati Bell Inc. that results from a merger or similar transaction. Also, for purposes of the Plan, a "Subsidiary" refers to any corporation which is part of an unbroken chain of corporations that begins with the Company and in which each corporation in such chain, other than the Company, has at least 80% of the total combined voting power of all classes of its stock owned by the Company or one of the other corporations in such chain. In addition, for purposes of the Plan, the Company's "Subsidiaries" refers to each and every Subsidiary in the aggregate.

1.4 This document amends and restates the plan that was named the Broadwing Inc. 1997 Long Term Incentive Plan and all predecessor versions of such plan (the "Prior Plan") effective as of July 24, 2000 (the "Effective Amendment Date") and does not affect any awards granted under the Prior Plan prior to such date. For all purposes hereof, however, where the context permits, any reference to the Plan contained herein refers to the Plan both as amended and restated by this document and to the Prior Plan as it was in effect from time to time prior to the Effective Amendment Date.

2. Administration.

2.1 The Plan shall be administered by the Compensation Committee (the "Committee") of the Company's Board of Directors (the "Board"). The Committee shall consist of at least three members of the Board (a) who are neither officers nor employees of the Company, (b) who are "Non-Employee Directors" within the meaning of Rule 16b-3 (as in effect on the Effective Amendment Date or as it may thereafter be amended or renumbered) as issued pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act"), and (c) who are "outside directors" within the meaning of Section 162(m)(4)(C) (as in effect on the Effective Amendment Date or as it may thereafter be amended or renumbered) of the Internal Revenue Code of 1986, as amended (the "Code").

2.2 Subject to the limitations and other provisions of the Plan, the Committee shall have the sole and complete authority (a) to select, from the employees of the Company and its Subsidiaries who are part of the class of employees eligible for awards under the Plan, those employees who shall participate in the Plan (the "Participants"), (b) to make awards to each and any Participant in such forms and amounts as it shall determine and to cancel, suspend, or amend any such awards (except that it may not amend any award that without such amendment would not be subject to the deduction limits of Section 162(m)(1) (as in effect on the Effective Amendment Date or as it may thereafter be amended or renumbered) of the Code if such amendment would cause such award to be subject to such deduction limits), (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 and its Subsidiaries 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 necessary or advisable for the proper administration of the Plan. The Committee's determinations on any matter within its authority shall be conclusive and binding on the Company, its Subsidiaries, all Participants, and all other parties.

2.3 Notwithstanding any other provision of the Plan which may be read to the contrary, the Committee may set different terms and conditions applicable to each and any award granted under the Plan, even when such awards are 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.

2.4 The Committee may delegate to one or more Senior Managers of the Company and its Subsidiaries or to one or more committees of Senior Managers of the Company and its Subsidiaries its right to make awards to employees who are part of the class of employees eligible for awards under the Plan but who are not officers or directors of the Company, are not otherwise considered by the Company to be "officers" of the Company within the meaning of Section 16 (as in effect on the Effective Amendment Date or as it may thereafter be amended or renumbered) of the 1934 Act (or other persons who are subject to the requirements of such Section 16 of the 1934 Act), and are not "covered employees" within the meaning of Section 162(m)(3) (as in effect on the Effective Amendment Date or as it may thereafter be amended or renumbered) of the Code. To the extent the Committee's right to make awards to such employees is so delegated, then 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 the Senior Managers or committees of Senior Managers to whom the authority to make such awards is delegated as if they were the Committee.

3. Class of Employees Eligible for Plan.

Awards may be granted under the Plan to, and only to, salaried employees. For purposes of the Plan, a "salaried employee" refers to any person who is employed and classified as an employee by the Company or a Subsidiary of the Company, whose pay is based on a monthly or annual rate, and whose position is not subject to automatic wage progression. As is indicated in Section 2 above, the specific salaried employees to whom awards will be granted under the Plan, and who thereby will be considered Participants under the Plan, shall be chosen by the Committee in its sole discretion (or, with respect to salaried employees who are not officers or directors of the Company and as to whom the right to grant awards to under the Plan may be delegated to any Senior Managers or committees of Senior Managers under the provisions of subsection 2.4 above, by any Senior Managers or committees of Senior Managers who are delegated by the Committee the right to select such persons for Plan awards).

4. Types of Awards.

4.1 Awards under the Plan may be granted in any one or more of the following forms, all of which shall be based on common shares of the Company, $0.01 par value ("Common Shares"): (a) stock options, including incentive stock options within the meaning of Section 422 (as in effect on the Effective Amendment Date or as it may thereafter be amended or renumbered) of the Code ("ISOs"), (b) stock appreciation rights ("SARs"), (c) restricted stock, and (d) performance shares and/or performance units. The subsequent provisions of the Plan provide certain rules and conditions that apply to each of such award forms.

4.2 For purposes hereof, an award granted under the Plan shall be deemed to be based on Common Shares if, and only if, the award provides for a payment (upon, if applicable, its exercise or the meeting of certain performance goals or other criteria or conditions) of a certain number of Common Shares or of an amount determined with reference to the fair market value (or the change in fair market value over a period of time) of Common Shares.

4.3 Further, in the discretion of the Committee, payments may also be made in connection with any award granted under the Plan of dividends payable with respect to the Common Shares on which the award is based, of an amount equivalent to such dividends, or of an amount determined by applying an interest rate or rates to the principal amount of the award.

4.4 No awards shall be granted under the Plan after April 27, 2007 (the "Plan's Grant Termination Date"), which is the last day of the ten year period that began on the date that the Plan was originally approved by the shareholders of the Company.

5. Shares Subject to Plan Awards.

5.1 Subject to the provisions of subsections 5.2 through 5.5 below and Section 14 below, the following limits shall apply to the grant of awards under the Plan:

(a) The maximum number of Common Shares on which awards granted under the Plan to all Participants during the period (the "Remaining Period of the Plan") which began on January 1, 2000 and ends on the Plan's Grant Termination Date may be based shall be equal to 50,000,000 Common Shares (which number of shares is substantially equal to the limit on the maximum number of Common Shares that would apply during the Remaining Period of the Plan if both the terms of the Plan as originally adopted and the number of the Common Shares outstanding as of January 1, 2000 never changed);

(b) The maximum number of Common Shares on which awards under the Plan to any Participant during each and any calendar year that began or begins in the Remaining Period of the Plan may be based shall be 1,000,000 Common Shares; and

(c) The maximum number of Common Shares on which ISOs granted under the Plan to all Participants during the Remaining Period of the Plan may be based shall be equal to 12,500,000 Common Shares (which number is equal to 25% of the maximum number of Common Shares on which awards granted under the Plan to all Participants during the Remaining Period of the Plan may be based).

5.2 Any limit on the maximum number of Common Shares on which awards granted under the Plan may be based that is set forth in subsection 5.1 above or elsewhere in the Plan, regardless of whether it is a limit applicable to all Participants or a limit as to any Participant and regardless of whether it is a limit applicable to the Remaining Period of the Plan or a limit as to a more limited period, shall apply both (a) to each specific form of award available under the Plan and (b) also in the aggregate to all possible forms of awards that can be granted under the Plan, except to the extent the provision of the Plan that sets forth such limit expressly indicates that it applies to a specific form of award. (For example, the limit set forth in subsection 5.1(c) above as to the maximum number of Common Shares on the basis of which awards may be granted under the Plan to any Participant during any calendar year that begins in the Remaining Period of the Plan shall be a limit that applies to any specific form of award that may be granted under the Plan to a Participant as well as an aggregate limit on all forms of awards that may be granted to the Participant under the Plan.)

5.3 Any Common Shares that are deliverable 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.

5.4 If any award or portion of an award granted under the Plan on or after January 1, 2000 is forfeited, expires, or in any other manner terminates without the payment of Common Shares or any other amount or consideration, the Common Shares on which such award or portion of an award was based shall again be available to be the basis on which other awards may be granted under the Plan but shall be counted only once in determining whether any of the limits set forth in subsection 5.1 above (except for the limit set forth in paragraph (c) of subsection 5.1 above) is met. However, if any award or portion of an award granted under the Plan prior to January 1, 2000 is forfeited, expires, or otherwise terminates on or after January 1, 2000 without the payment of Common Shares or any other amount or consideration, the Common Shares on which such award or portion of an award was based shall not again be available to be the basis on which other awards may be granted under the Plan.

5.5 If, after January 1, 2000, 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 on which awards granted under the Plan can be based.

6. Stock Option Awards.

Any awards granted under the Plan in the form of stock options shall be subject to the following terms and conditions:

6.1 The Committee may, from time to time and subject to the provisions of the Plan and such other terms and conditions as the Committee may prescribe, grant to any Participant options to purchase Common Shares, which options may be ISOs, options that are not ISOs, or both ISOs and options that are not ISOs.

6.2 Subject to the other provisions of this Section 6, the terms and conditions of any stock option granted under the Plan shall be determined by the Committee. The grant of an 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 option (as set by the Committee).

6.3 The purchase price per Common Share under any stock option granted under the Plan shall be determined by the Committee but shall not be less than 100% of the fair market value of a Common Share on the date the option is granted.

6.4 Unless otherwise prescribed by the Committee, any stock option granted under the Plan shall expire and no longer be exercisable ten years after the date on which it is granted and 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.

6.5 Subject to the other provisions of the Plan, the Committee shall establish procedures governing the exercise of stock options granted under the Plan (and shall require under such procedures, with respect to each exercise of a stock option, that written notice of the exercise be given and that the purchase price for the Common Shares being purchased upon the exercise and any taxes required to be withheld upon the exercise be paid in full at the time of the exercise). 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, the Company 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.

6.6 To the extent that the aggregate fair market value of Common Shares with respect to which stock options intended to be ISOs are exercisable for the first time by any Participant during any calendar year (under the Plan and all other plans of the Company and its Subsidiaries) exceeds $100,000 (or, if such limit amount is amended under Section 422 of the Code, such amended limit amount), such stock options shall be treated as if they were not ISOs. The rule set forth in the immediately preceding sentence shall be applied by taking options into account in the order in which they were granted. Also, for purposes of the rules of this subsection 6.6, 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.

6.7 Notwithstanding any other provision of the Plan to the contrary, no person shall be eligible for or granted an ISO under the Plan if, at the time the applicable ISO 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 or any of its Subsidiaries. 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.

7. Stock Appreciation Right Awards.

Any awards granted under the Plan in the form of SARs shall be subject to the following terms and conditions:

7.1 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. The SAR shall represent the right 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) of the Common Shares with respect to which the SAR is based exceeds the grant price of the SAR (as is determined under the provisions of subsection 7.2 below).

7.2 The grant price of a SAR shall not be less than the fair market value (determined as of the date on which the SAR is granted) of the Common Shares with respect to which the SAR is based. Subject to the immediately preceding sentence, the grant price, and the other terms and conditions of a SAR, shall be determined by the Committee.

7.3 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).

7.4 Subject to the other provisions of the Plan, the Committee shall establish procedures governing the exercise of SARs granted under the Plan (and shall require under such procedures, with respect to each exercise of a SAR, that written notice of the exercise be given and that any taxes required to be withheld upon the exercise be paid in full at the time of the exercise). Payment of the amount to which a Participant is entitled upon the exercise of a SAR shall be made in cash, Common Shares or other property, or a combination thereof, as the Committee shall determine and permit in its issuance 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.

7.5 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. Restricted Stock Awards.

Any awards granted under the Plan in the form of restricted stock shall be subject to the following terms and conditions:

8.1 Restricted stock shall constitute Common Shares that may not be disposed of by the Participant to whom the restricted stock is granted until certain restrictions and conditions established by the Committee lapse. Such restrictions, and any other conditions of the restricted stock, shall be set forth in a written agreement signed by the Committee or a representative thereof, which agreement shall be referenced on the certificates representing the Common Shares that constitute such restricted stock.

8.2 It is anticipated that the only restrictions to be set by the Committee as to the ability of a Participant to dispose of any restricted stock granted to him or her under the Plan (and/or as to any dividends or other rights issued with respect to such stock) shall require the Participant to be an employee of the Company and/or a Subsidiary of the Company for a specified continuous period of time or to terminate employment with the Company and its Subsidiaries in special circumstances (such as, as may be set by the Committee, the Participant's retirement, disability, or death). However, the Committee may, in its sole discretion, apply other types of restrictions as to the ability of the Participant to dispose of any restricted stock granted to him or her under the Plan (and/or as to any dividends or other rights issued with respect to such stock), including but not limited to the meeting of certain performance goals.

8.3 Subject to the other provisions of the Plan, the Committee shall establish procedures that require 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) to be paid in full.

8.4 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 the Company 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 determine in the grant of the restricted stock and except as may otherwise be provided in subsection 8.5 below.

8.5 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 determined by the Committee.

8.6 If a Participant to whom restricted stock has been granted under the Plan terminates his or her employment with the Company and its Subsidiaries 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).

9. Performance Share and Unit Awards.

Any awards granted under the Plan in the form of performance shares and/or performance units (collectively, "Performance Awards") shall be subject to the following terms and conditions:

9.1 Any award to a Participant of a performance share shall provide that he or she will receive one Common Share if certain performance goals that are set by the Committee (and any other conditions, which may include a requirement that the Participant be an employee of the Company and/or a Subsidiary of the Company for a specified continuous period of time, that are set by the Committee) are met.

9.2 Any award to a Participant of a performance unit shall provide that he or she 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 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 one Common Share from the date of the grant of the unit to the date such amount becomes payable under the terms of the unit) if certain performance goals that are set by the Committee (and any other conditions, which may include a requirement that the Participant be an employee of the Company and/or a Subsidiary of the Company for a specified continuous period of time, that are set by the Committee) are met.

9.3 The Committee may, in its discretion and on such conditions as the Committee may determine, grant more than one performance share and/or performance unit to any Participant under the same award and provide that the satisfaction of certain but not all (or a certain level but not the highest level) of the performance goals (and/or other conditions) set by the Committee with respect to such award will permit the Participant to receive a portion, but not the maximum amount, of the Common Shares or the amounts that would be payable under such award if all (or the highest level) of the performance goals (and/or the other conditions) applicable to such award had been met.

9.4 The Committee may also, in its discretion and on such conditions as the Committee may determine, provide that any Performance Award may contain the right to receive dividends payable with respect to the Common Shares on which the award is based, an amount equivalent to such dividends, or an amount determined by applying an interest rate or rates to the principal amount of the award (and/or with respect to previously credited dividends, dividend equivalent amounts, or interest amounts).

9.5 Each Performance Award 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 such award (as set by the Committee).

9.6 Subject to the other provisions of the Plan, the Committee shall establish procedures governing the payment of Performance Awards granted under the Plan (and shall require under such procedures that any taxes required to be withheld upon such payment be paid in full). Payment of any amount to which a Participant is entitled under any Performance Award granted under the Plan may be made in a lump sum or in installments, and, to the extent a performance unit is involved, in cash, Common Shares or other property, or a combination thereof, as the Committee shall determine in its issuance of the award. Payment of any amount to which a Participant is entitled under any performance share shall be made 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 determined.

10. Fair Market Value of Common Shares and Performance Goals.

10.1 For purposes of the Plan, the fair market value of a Common Share on any date (for purposes only of this subsection 10.1, the "subject date") shall be deemed to be the average of the high and low per share sale prices of the Common Shares on the New York Stock Exchange on the subject date (or, if the Common Shares were not traded on such exchange on the subject date, the average of the high and low per share sale prices of the Common Shares on the New York Stock Exchange on the latest preceding date on which the Common Shares were traded); except that, if the Common Shares are not listed on the New York Stock Exchange on the subject date (or, if the subject date is not a business day of such exchange, on the next preceding business day of such exchange), 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.

10.2 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 and its Subsidiaries: earnings before interest, taxes, depreciation, and amortization; earnings per share; operating income; total shareholder returns; cash generation targets; profit targets; revenue targets; profitability targets as measured by return ratios; net income; return on sales; return on assets; return on equity; and corporate performance indicators (indices based on the level of certain services provided to customers). Any such performance criteria shall be measured or determined on the basis of a period of such duration (a "Performance Period"), which period may be of any length, 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. In addition, any such performance criteria (a) may be measured or determined for the Company, for any Subsidiary of the Company, for the Company and all of the Company's Subsidiaries in the aggregate, or for any group of corporations that are included in the entire group of the Company and its Subsidiaries and (b) 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).

10.3 Further, 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.

11. Nonassignability of Awards.

Except as may be required by applicable law, no award granted under the Plan may be assigned, transferred, pledged, or otherwise encumbered by a 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).

12. Deferrals of Award Payments.

The Committee may, in its discretion, permit Participants to elect to defer the payment otherwise required under all or part of any award granted under the Plan in accordance with such terms and conditions as the Committee shall establish.

13. <u>Provisions Upon Change in Control</u>.

In the event of a Change in Control (as defined in subsection 13.4 below) occurring on or after the Effective Amendment Date, the provisions of this Section 13 shall supersede any conflicting provisions of the Plan.

13.1 In the event of a Change in Control, all outstanding stock options and SARs granted under the Plan shall become exercisable in full and the restrictions still then in force and applicable to any Common Shares awarded as restricted stock under the Plan shall lapse.

13.2 Further, unless the Committee shall revoke such an entitlement prior to the occurrence of a Change in Control, a Participant who has been awarded a stock option under the Plan and who is deemed by the Committee to be an officer or other person subject to Section 16 (as in effect on the Effective Amendment Date or as it may thereafter be amended or renumbered) of the 1934 Act at the time of such Change in Control shall be entitled to receive, in lieu of the exercise of any stock option or portion thereof to the extent that it is then exercisable, a cash payment in an amount equal to the difference between: (a) the aggregate fair market value, on the date immediately after the date on which the Change in Control occurs, of the Common Shares that are subject to such option or portion thereof (or, in the event the Change in Control is effected by a tender offer or similar event, the final offer price per share paid for Common Shares under the tender offer or similar event times the number of Common Shares covered by such option or portion thereof); and (b) the aggregate purchase price of the Common Shares that are subject to such option or portion thereof. In the event the applicable Change in Control is effected by a tender offer in which fewer than all of the Common Shares which are validly tendered in compliance with such offer are purchased or exchanged, then only that portion of the Common Shares covered by a stock option granted under the Plan as results from multiplying such Common Shares by a fraction, the numerator of which is the number of Common Shares acquired pursuant to the offer and the denominator of which is the number of Common Shares tendered in compliance with such offer, shall be used to determine the payment thereupon. To the extent that all or any portion of a stock option granted under the Plan shall be affected by this provision, all or such portion of the stock option shall be terminated.

13.3 In the event of a Change in Control, a pro rata portion of all still then outstanding Performance Awards granted under the Plan shall be paid to each Participant within five business days after the date of such Change in Control. The pro rata portion of any such award to be paid shall equal the full present value of such award (determined as of the first day of the month in which such Change in Control occurs under such interest rate and other actuarial assumptions as are reasonably adopted by the Committee) multiplied by a ratio, the numerator of which shall equal the number of full and partial months (including the month in which the Change in Control occurs) since the date of the award and the denominator of which shall equal the number of months in the longest Performance Period applicable to any performance goal on which such award is conditioned.

13.4 For the purpose of this Section 13, a "Change in Control" means the occurrence of any one of the following events:

(a) a majority of the Board as of any date is not composed of Incumbent Directors. For purposes hereof, as of any date, the term "Incumbent Director" means any individual who is a director of the Company as of such date and either: (1) who was a director of the Company at the beginning of the 24 consecutive month period ending on such date; or (2) who became a director subsequent to the beginning of such 24 consecutive month period and whose appointment, election, or nomination for election was approved by a vote of at least two-thirds of the directors who were, as of the date of such vote, Incumbent Directors (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director). It is *provided, however,* that no individual initially appointed, elected, or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall ever be deemed to be an Incumbent Director;

(b) any "person" (as such term is defined in Section 3(a)(9) of the 1934 Act) and as used in Sections 13(d)(3) and 14(d)(2) of the 1934 Act is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board (the "Company Voting Securities"); *provided, however,* that the event described in this paragraph (b) shall not be deemed to be a Change in Control if such event results from any of the following: (1) the acquisition of any Company Voting Securities by the Company or any Subsidiary, (2) the acquisition of any Company Voting Securities by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, (3) the acquisition of any Company Voting Securities by any underwriter temporarily holding securities pursuant to an offering of such securities, or (4) a Non-Qualifying Transaction (as defined in paragraph (c) of this subsection 13.4);

(c) the consummation of a merger, consolidation, statutory share exchange, or similar form of corporate transaction involving the Company or any Subsidiary (a "Reorganization") or sale or other disposition of all or substantially all of the assets of the Company to an entity that is not an affiliate of the Company (a "Sale"), that in each case requires the approval of the Company's shareholders under the law of the Company's jurisdiction of organization, whether for such Reorganization or Sale (or the issuance of securities of the Company in such Reorganization or Sale), unless immediately following such Reorganization or Sale: (1) more than 60% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of (x) the entity resulting from such Reorganization or the entity which has acquired all or substantially all of the assets of the Company (in either case, the "Surviving Entity"), or (y) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of more than 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity (the "Parent Entity"), is represented by Company Voting Securities that were outstanding immediately prior to such Reorganization or Sale (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Reorganization or Sale), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Reorganization or Sale, (2) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Entity or the Parent Entity) is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the outstanding voting securities of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity), and (3) at least a majority of the members of the board of directors (or similar officials in the case of an entity other than a corporation) of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) following the consummation of the Reorganization or Sale were, at the time of the approval by the Board of the execution of the initial agreement providing for such Reorganization or Sale, Incumbent Directors (any Reorganization or Sale which satisfies all of the criteria specified in (1), (2), and (3) of this paragraph (c) being deemed to be a "Non-Qualifying Transaction"); or

(d) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires beneficial ownership of more than 20% of the Company Voting Securities as a result of the acquisition of Company Voting Securities by the Company which reduces the number of Company Voting Securities outstanding; provided that, if after such acquisition by the Company such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Change in Control shall then occur.

13.5 The provisions of this Section 13 may not be amended with respect to any award granted to a Participant on or subsequent to the date such award is granted if such amendment would be materially adverse to the Participant without the consent of the Participant; provided, however, the Board may still then make, without the Participant's consent, minor or administrative changes to this Section 13 or changes to this Section 13 to conform to applicable legal requirements that will apply to such award.

14. <u>Adjustments</u>.

14.1 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, 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 purchase price, grant price, or other price of shares on which the outstanding awards granted under the Plan are based as it reasonably determines to be appropriate in order to maintain the purposes of the Plan and the then outstanding awards.

14.2 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).

15. <u>Rights of Board of Directors</u>.

15.1 Notwithstanding any other provision hereof to the contrary, the Board may amend, alter, or discontinue 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 the Company's shareholders, adopt an amendment to the Plan which shall: (a) increase the total number of Common Shares reserved for issuance during the Remaining Period of the Plan; (b) increase the total number of Common Shares which may be subject to ISOs granted during the Remaining Period of the Plan; (c) change the class of persons eligible to become Participants under the Plan; (d) make any change in the Plan that is required by Section 162(m) (as in effect on the Effective Amendment Date or as it may thereafter be amended or renumbered) of the Code to be approved by the Company's shareholders in order to permit the Committee the ability to have the amounts payable pursuant to any awards granted by it under the Plan not be subject to the deduction limits of Section 162(m)(1) (as in effect on the Effective Amendment Date or as it may thereafter be amended or renumbered) of the Code by reason of Section 162(m)(4)(C) (as in effect on the Effective Amendment Date or as it may thereafter be amended or renumbered) of the Code; or (e) 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.

15.2 If approval of the Company's shareholders is required to a Plan amendment pursuant to the provisions of subsection 15.1 above, then such approval must be by the favorable vote of a majority of the outstanding stock of the Company present, or represented, and entitled to vote at a meeting duly held in accordance with the laws of the state in which the Company is incorporated (or, to the extent applicable law requires a greater degree or level of approval by the Company's shareholders in order for such amendment to become effective, such approval must comply with such required degree or level of approval).

16. <u>Procedures For Satisfying Payment and Withholding Requirements</u>.

16.1 Subsections 6.5, 7.4, 8.3, and 9.6 above demand that the Committee 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 16 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. 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, 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.

16.2 Without limiting the generality of the provisions of subsection 16.1 above, the following provisions may apply in connection with the Committee's establishment of procedures governing the meeting of any payment/withholding requirements that apply to an award granted under the Plan:

(a) The Committee may, in its discretion and pursuant to such conditions as the Committee decides to impose, provide that the 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: (1) 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 personal check, certified check, bank draft, cashier's check, or money order) equal to the amount of such payment/withholding requirements, (2) 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, (3) by having the Company retain Common Shares which are being purchased under the award and have a fair market value on the date of payment equal to the amount of such payment/withholding requirements, (4) by having the Company retain an amount of cash that is payable under the award and equal to the amount of such payment/withholding requirements, and/or (5) 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.

(b) Notwithstanding the provisions of paragraph (a) immediately above, 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 (1) if the Common Shares being used in payment either are being purchased upon exercise of the applicable award and the award is an ISO or (2) 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.

(c) Further, the procedures applicable to the satisfaction of any payment/withholding requirements that apply to an award granted under the Plan that are established by the Committee may, in the discretion of the Company, 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 Company to facilitate and/or administer the exercise or payment of any awards granted under the Plan.

17. Miscellaneous.

17.1 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 any Subsidiary of the Company or interfere in any way with the right of the Company or any Subsidiary 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.

17.2 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.

17.3 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 or any

Subsidiary 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.

17.4 In no event shall the Company be obligated to issue or deliver any Common Shares if and to the extent the Committee determines that such issuance or delivery constitutes 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.

17.5 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.

APPENDIX B

CINCINNATI BELL INC.
SHORT TERM INCENTIVE PLAN

(As amended and restated effective as of July 24, 2000 and incorporating a later amendment dated May 27, 2003)

1. Purpose.

1.1 The purpose of this plan, which shall be named the Cincinnati Bell Inc. Short Term Incentive Plan (the "Plan") and the sponsor of which is the Company (as defined in subsection 1.2 below), is to provide key executives of the Company and its Subsidiaries (as defined in subsection 1.2 below) with incentive compensation based upon the achievement of specific short term performance goals.

1.2 For purposes of the Plan, "Company" refers to Cincinnati Bell Inc. (which corporation was named Broadwing Inc. from April 20, 2000 to May 27, 2003) or, if applicable, any corporate successor to Cincinnati Bell Inc. that results from a merger or similar transaction. Also, for purposes of the Plan, a "Subsidiary" refers to any corporation which is part of an unbroken chain of corporations that begins with the Company and in which each corporation in such chain, other than the Company, has at least 80% of the total combined voting power of all classes of its stock owned by the Company or one of the other corporations in such chain. In addition, for purposes of the Plan, the Company's "Subsidiaries" refers to each and every Subsidiary in the aggregate.

1.3 This document amends and restates the plan that was named the Broadwing Inc. 1997 Short Term Incentive Plan and all predecessor versions of such plan (the "Prior Plan") effective as of July 24, 2000 (the "Effective Amendment Date") and does not affect any awards granted under the Prior Plan prior to such date. For all purposes hereof, however, where the context permits, any reference to the Plan contained herein refers to the Plan both as amended and restated by this document and to the Prior Plan as it was in effect from time to time prior to the Effective Amendment Date.

2. Administration.

2.1 The Plan shall be administered by the Compensation Committee (the "Committee") of the Company's Board of Directors (the "Board"). The Committee shall consist of at least three members of the Board (a) who are neither officers nor employees of the Company and (b) who are "outside directors" within the meaning of Section 162(m)(4)(C) (as in effect on the Effective Amendment Date or as it may thereafter be amended or renumbered) of the Internal Revenue Code of 1986, as amended (the "Code").

2.2 Subject to the limitations and other provisions of the Plan, the Committee shall have the sole and complete authority (a) to select, from the employees of the Company and its Subsidiaries who are part of the class of employees eligible for awards under the Plan, those employees who shall participate in the Plan (the "Participants"), (b) to make awards to each and any Participant in such amounts as it shall determine and to cancel, suspend, or amend any such awards (except that it may not amend any award that without such amendment would not be subject to the deduction limits of Section 162(m)(1) (as in effect on the Effective Amendment Date or as it may thereafter be amended or renumbered) of the Code if such amendment would cause such award to be subject to such deduction limits), (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 and the Subsidiaries 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 necessary or advisable for the proper administration of the Plan. The Committee's determinations on any matter within its authority shall be conclusive and binding on the Company, its Subsidiaries, all Participants, and all other parties.

2.3 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, and there is no obligation that the awards made with respect to any calendar year must contain the same terms and conditions for all Participants or any group of Participants.

3. Class of Employees Eligible for Plan.

Awards may be granted under the Plan with respect to any calendar year to, and only to, key executives. For purposes of the Plan, a "key executive" refers, with respect to any calendar year, to any person who during such year is employed and classified as an employee by the Company or a Subsidiary of the Company and whose regular and incentive compensation for such year is principally established by the Committee under the policies of the Company and its Subsidiaries. A key executive may but is not required to be a member of the Board or the board of directors of any Subsidiary of the Company. As is indicated in Section 2 above, the specific key executives to whom awards will be granted under the Plan, and who thereby will be considered Participants under the Plan, shall be chosen by the Committee in its sole discretion.

4. Awards.

4.1 Any award granted under the Plan to a Participant shall be made with respect to a specific calendar year (the award's "Award Year") and shall, if certain performance goals that are made applicable to the award by the Committee are met, provide for the payment to the Participant of a lump sum cash amount in the first quarter of the next following calendar year (the award's "Payment Year"). No more than one award may be granted to a Participant under the Plan with respect to any calendar year. Also, the grant of any award to a Participant under the Plan with respect to any calendar year shall not entitle the Participant to an award for any subsequent calendar year.

4.2 Subject to the other provisions of this Section 4, any award granted under the Plan to a Participant shall specify a standard payment amount (the award's "Standard Award Level") if certain but not all (or a certain level but not the highest level) of the performance goals applicable to the award are met and will also specify payment amounts more or less than the Standard Award Level if additional or fewer (or if a higher or lower level) of the performance goals applicable to the award are met. In no event may the amount of the award exceed 200% of the award's Standard Award Level (or, if less, $3,000,000).

4.3 The performance goals to be set by the Committee with respect to any award granted under the Plan to a Participant may be based on, and only on, one or more of the following criteria applicable to the Company and its Subsidiaries: earnings before interest, taxes, depreciation, and amortization; earnings per share; operating income; total shareholder returns; cash generation targets; profit targets; revenue targets; profitability targets as measured by return ratios; net income; return on sales; return on assets; return on equity; and corporate performance indicators (indices based on the level of certain services provided to customers). The performance criteria that shall apply to any award granted under the Plan to a Participant shall be criteria that will be able to be objectively determined by the Committee, shall be measured or determined on the basis of the award's Award Year, and shall be set by the Committee either prior to the start of the award's Award Year or within the first 90 days of the award's Award Year. In addition, any such performance criteria (a) may be measured or determined for the Company, for any Subsidiary of the Company, for the Company and all of the Company's Subsidiaries in the aggregate, or for any group of corporations that are included in the entire group of the Company and its Subsidiaries and (b) 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).

4.4 The Committee shall verify that the performance goals that must be met for any specific payment to be made under an award granted under the Plan have been met before such payment is permitted.

4.5 Notwithstanding the foregoing subsections of this Section 4 and principally in order to permit the Committee to take into account, before the amount otherwise payable under any award granted under the Plan is finalized, its determination as to whether the Participant has met certain individual goals that may have been set for him or her by the Committee or his or her managers and its determination as to whether any extraordinary or nonrecurring events in the operations of the Company and its Subsidiaries have unduly affected the performance goals applicable to the award, the Committee may, in its sole and unrestricted discretion, reduce the amount payable under any award granted under the Plan below the amount that would otherwise be payable under the award based solely on the performance goals that are set by the Committee for the award pursuant to the provisions of subsections 4.2 and 4.3 above. The discretion granted the Committee under this subsection 4.5 shall not, however, allow the Committee to increase the amount that would otherwise be payable under any award granted under the Plan based solely on the performance goals that are set by the Committee for the award pursuant to the provisions of subsections 4.2 and 4.3 above.

4.6 In addition, and notwithstanding the foregoing subsections of this Section 4, if a situation that is described in any of the following paragraphs of this subsection 4.6 applies to a Participant to whom an award is granted under the Plan, then the amount that is payable under the award shall be deemed to be equal to the product obtained by multiplying (a) the amount that would otherwise be payable under the award based on all of the foregoing subsections of this Section 4 (without regard to the provisions of this subsection 4.6) by (b) a fraction, the numerator of which is equal to the difference between the total number of days in the award's Award Year and the number of days that are to be excluded from such fraction's numerator pursuant to whichever of the following paragraphs of this subsection 4.6 are applicable to the Participant and the denominator of which is the total number of days in such Award Year.

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

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

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

4.7 Further, and notwithstanding the foregoing subsections of this Section 4, a Participant to whom an award has been granted under the Plan shall not in any event be entitled to receive any amount by reason of the award unless he or she both: (a) either (i) is an employee of the Company or a Subsidiary of the Company on the last day of the award's Award Year or (ii) terminated his or her employment with the Company and its Subsidiaries because of his or her disability (for which the Participant will be entitled to receive or has received disability benefits under the Company's Sickness and Accident Disability Benefits Plan or any similar type of disability plan of a Subsidiary of the Company), his or her retirement (as defined in subsection 4.6 above), or his or her death; and (b) has had at least three months of active service for the Company and its Subsidiaries during the award's Award Year (not including any time the Participant was absent from active service during such Award Year by reason of any leave of absence or for any other reason, including an absence on account of disability).

4.8 As is noted in subsection 4.2 above and notwithstanding any other provision of the Plan to the contrary, the amount to be received by a Participant by reason of any award that is granted to the Participant under the Plan with respect to any calendar year shall not in any event exceed $3,000,000.

4.9 Each award granted under the Plan shall be evidenced by a written agreement, notice, or similar document that is provided in any manner by the Committee or a representative thereof (including, if the

Committee so determines in its discretion, by a commonly accepted electronic notice), which agreement, notice, or other document shall contain the terms and conditions of such award (as set by the Committee).

4.10 If a Participant is entitled to receive a payment under any award granted to him or her under the Plan by reason of the foregoing subsections of this Section 4, but he or she dies before such payment is made to him or her, then such payment shall be made to the Participant's beneficiary (as determined under the provisions of subsection 4.11 below) at the same time as such payment would be made if the Participant had not died. No beneficiary of a Participant shall be entitled to any amount under the Plan that is greater than the amount to which the Participant is entitled under the foregoing subsections of this Section 4.

4.11 For purposes of the Plan, a Participant's "beneficiary" shall mean the person(s), trust(s), and/or other entity(ies) which the Participant designates as his or her beneficiary for the purposes of the Plan in any writing or form which is signed by the Participant and acceptable to the Committee, provided that such writing or form is filed with the Committee prior to the Participant's death. The determination of a Participant's beneficiary under the Plan shall also be subject to the following paragraphs of this subsection 4.11:

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

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

(c) Notwithstanding the foregoing provisions of this subsection 4.11, if no beneficiary designation of the Participant has been filed with the Committee prior to his or her death, or if the Committee in good faith determines either that any beneficiary designation made by the Participant prior to his or her death is for any reason not valid or enforceable under applicable law or that there is a valid question as to the legal right of the designated beneficiary to receive the applicable payment, then the applicable payment shall be paid to the estate of the Participant (in which case none of the Company, any of its Subsidiaries, the Committee, or any of their personnel, agents, or representatives shall have any further liability to anyone with respect to such payment).

5. Nonassignability of Awards.

Except as may be required by applicable law, no award granted under the Plan may be assigned, transferred, pledged, or otherwise encumbered by a Participant otherwise than by designation of a beneficiary under the provisions of subsections 4.10 and 4.11 above.

6. Deferrals of Award Payments.

The Committee may, in its discretion, permit Participants to elect to defer the payment otherwise required under any award granted under the Plan in accordance with such terms and conditions as the Committee shall establish.

7. Provisions Upon Change in Control.

In the event of a Change in Control (as defined in subsection 7.2 below) occurring on or after the Effective Amendment Date, the provisions of this Section 7 shall supersede any conflicting provisions of the Plan.

7.1 In the event of a Change in Control, the amount payable under any award that was granted under the Plan with respect to the calendar year that immediately precedes the calendar year in which the Change in Control occurs shall, if such amount has not yet been paid (or if such amount has not been determined by the Committee) by the date of the Change in Control, be paid within five business days after the date of such Change in Control (and, if the amount of such award has not yet been determined by the Committee by the date of the Change in Control, its amount shall be deemed to be equal to the award's Standard Award Level). Further, in the event of a Change in Control, a pro rata portion of any award granted under the Plan with respect to the calendar year in which the Change in Control occurs shall be paid within five business days after the date of the Change in Control, with the pro rata portion of such award being deemed to be equal to the full present value of such award's Standard Award Level (determined as of the date of payment under such interest rate and other actuarial assumptions as are reasonably adopted by the Committee) multiplied by a fraction, the numerator of which shall equal the number of full and partial months (including the month in which the Change in Control occurs) since the first day of the calendar year in which the Change in Control occurs and the denominator of which shall equal twelve.

7.2 For the purpose of this Section 7, a "Change in Control" means the occurrence of any one of the following events:

(a) a majority of the Board as of any date is not composed of Incumbent Directors. For purposes hereof, as of any date, the term "Incumbent Director" means any individual who is a director of the Company as of such date and either: (1) who was a director of the Company at the beginning of the 24 consecutive month period ending on such date; or (2) who became a director subsequent to the beginning of such 24 consecutive month period and whose appointment, election, or nomination for election was approved by a vote of at least two-thirds of the directors who were, as of the date of such vote, Incumbent Directors (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director). It is provided, however, that no individual initially appointed, elected, or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall ever be deemed to be an Incumbent Director;

(b) any "person" (as such term is defined in Section 3(a)(9) of the 1934 Act) and as used in Sections 13(d)(3) and 14(d)(2) of the 1934 Act is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board (the "Company Voting Securities"); provided, however, that the event described in this paragraph (b) shall not be deemed to be a Change in Control if such event results from any of the following: (1) the acquisition of any Company Voting Securities by the Company or any Subsidiary, (2) the acquisition of any Company Voting Securities by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, (3) the acquisition of any Company Voting Securities by any underwriter temporarily holding securities pursuant to an offering of such securities, or (4) a Non-Qualifying Transaction (as defined in paragraph (c) of this subsection 7.2);

(c) the consummation of a merger, consolidation, statutory share exchange, or similar form of corporate transaction involving the Company or any Subsidiary (a "Reorganization") or sale or other disposition of all or substantially all of the assets of the Company to an entity that is not an affiliate of the Company (a "Sale"), that in each case requires the approval of the Company's shareholders under the law of the Company's jurisdiction of organization, whether for such Reorganization or Sale (or the issuance of securities of the Company in such Reorganization or Sale), unless immediately following such Reorganization or Sale: (1) more than 60% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of (x) the entity resulting from such Reorganization or the entity which has acquired all or substantially all of the assets of the Company (in either case, the "Surviving Entity"), or (y) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of more than 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity (the "Parent Entity"), is represented by Company Voting Securities that were outstanding immediately prior to such Reorganization or Sale (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Reorganization or Sale), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Reorganization or Sale, (2) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Entity or the Parent Entity) is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the outstanding voting securities of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity), and (3) at least a majority of the members of the board of directors (or similar officials in the case of an entity other than a corporation) of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) following the consummation of the Reorganization or Sale were, at the time of the approval by the Board of the execution of the initial agreement providing for such Reorganization or Sale, Incumbent Directors (any Reorganization or Sale which satisfies all of the criteria specified in (1), (2), and (3) of this paragraph (c) being deemed to be a "Non-Qualifying Transaction"); or

(d) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires beneficial ownership of more than 20% of the Company Voting Securities as a result of the acquisition of Company Voting Securities by the Company which reduces the number of Company Voting Securities outstanding; provided that, if after such acquisition by the Company such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Change in Control shall then occur.

7.3 The provisions of this Section 7 may not be amended with respect to any award granted to a Participant on or subsequent to the date such award is granted if such amendment would be materially adverse to any Participant without the consent of such Participant; provided, however, the Board may still then make, without the Participant's consent, minor or administrative changes to this Section 7 or changes to this Section 7 to conform to applicable legal requirements that will apply to such award.

8. Adjustments.

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

9. Rights of Board of Directors.

9.1 Notwithstanding any other provision hereof to the contrary, the Board may amend, alter, or discontinue 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 the Company's shareholders, adopt an amendment to the Plan which shall: (a) change the class of persons eligible to become Participants under the Plan; (b) make any change in the Plan that is required by Section 162(m) (as in effect on the Effective Amendment Date or as it may thereafter be amended or renumbered) of the Code to be approved by the Company's shareholders in order to permit the Committee the ability to have the amounts payable pursuant to any awards granted by it under the Plan not be subject to the deduction limits of Section 162(m)(1) (as in effect on the Effective Amendment Date or as it may thereafter be amended or renumbered) of the Code by reason of Section 162(m)(4)(C) (as in effect on the Effective Amendment Date or as it may thereafter be amended or renumbered) of the Code; or (c) 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.

9.2 If approval of the Company's shareholders is required to a Plan amendment pursuant to the provisions of subsection 9.1 above, then such approval must be by the favorable vote of a majority of the outstanding stock of the Company present, or represented, and entitled to vote at a meeting duly held in accordance with the laws of the state in which the Company is incorporated (or, to the extent applicable law requires a greater degree or level of approval by the Company's shareholders in order for such amendment to become effective, such approval must comply with such required degree or level of approval).

10. Withholding.

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

11. Miscellaneous.

11.1 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 any Subsidiary of the Company or interfere in any way with the right of the Company or any Subsidiary 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.

11.2 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.

11.3 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 or any Subsidiary 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.

11.4 The Plan shall be subject to and construed in accordance with the laws of the State of Ohio.

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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, 2004

OR

☐ **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.

Incorporated under the laws of the State of Ohio

I.R.S. Employer Identification Number 31-1056105

201 East Fourth Street, Cincinnati, Ohio 45202

Telephone: (513) 397-9900

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

Title of each class	Name of each exchange on which registered
Common Shares (par value $0.01 per share)	New York Stock Exchange
Preferred Share Purchase Rights	National Stock Exchange
6¾% Convertible Preferred Shares	New York Stock Exchange

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

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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 an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☒ No ☐

At June 30, 2004, the aggregate market value of the voting shares owned by non-affiliates was $1,088,183,394.

At March 4, 2005, there were 246,538,383 Common Shares outstanding and 155,250 shares of 6¾% Convertible Preferred Shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

(1) Portions of the registrant's definitive proxy statement dated March 29, 2005 issued in connection with the annual meeting of shareholders to be held on April 29, 2005 are incorporated by reference into Part III.

TABLE OF CONTENTS

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

Part I

Item 1. Business

General

Cincinnati Bell Inc. (the "Company") is a full-service local provider of data and voice communications services and equipment and a regional provider of wireless and long distance communications services. The Company provides telecommunications service on its owned local and wireless networks with a well-regarded brand name and reputation for service. The Company operates in five business segments: Local, Wireless, Hardware and Managed Services, Other and Broadband.

The Company's primary businesses consist of the Local and Wireless segments, which predominately provide voice and data telecommunications services. For the year ended December 31, 2004, these two segments generated 85% of the Company's 2004 consolidated revenue and 93% of the Company's 2004 consolidated operating income. The Hardware and Managed Services segment provides information technology consulting and data collocation services. The Hardware and Managed Services segment also sells equipment typically located on the customer's premise through which the Company provides its telecommunications and managed services. In its Other segment, the Company operates Cincinnati Bell Any Distance ("CBAD"), which provides long distance services, Cincinnati Bell Complete Protection ("CBCP"), which provides surveillance hardware and monitoring services for consumers and businesses, and Cincinnati Bell Public Communications Inc. ("Public"), which operates public payphones.

The Company realigned its business segments during the first quarter of 2004. Cincinnati Bell Technology Solutions ("CBTS"), a data equipment and managed services subsidiary, was previously reported in the Broadband segment and is now reported in the Hardware and Managed Services segment. Additionally, the sale of telephony equipment and its associated installation and maintenance business by Cincinnati Bell Telephone ("CBT"), previously reported in the Local segment, is now included in the Hardware and Managed Services segment. Accordingly, the historical results of operations of the Local, Hardware and Managed Services and Broadband segments have been recast to reflect the current segment reporting.

During the second and third quarters of 2003, the Company sold substantially all of the assets of its Broadband business, which was reported in the Broadband segment. These assets were held by the Company's wholly owned subsidiary, BRCOM (f/k/a Broadwing Communications Inc.). Refer to Note 2 of the Notes to the Consolidated Financial Statements for a detailed discussion of the sale.

In addition to the sale of substantially all of the broadband assets, on June 13, 2003 the Company's subsidiaries entered into agreements with the buyer of the broadband assets whereby the Company will continue to market Broadwing Communications LLC's ("Broadwing") (f/k/a C III Communications LLC) broadband products to business customers and purchase capacity on the Broadwing Communications LLC national network in order to sell long distance services, under the CBAD brand, to residential and business customers in the Greater Cincinnati area market.

Although the Company operates in distinct business segments, it offers each of its operating segments' services through common distribution channels. These channels include the Company's direct sales force, 21 Company-owned retail stores, independent agents and the Company's service centers. For its consumers and small business customers, the Company markets the services of its operating segments in a combined package of services. In the first quarter of 2003, the Company introduced its "Super bundle", Custom Connections^{SM}, which assembles a customized package of local, long distance, wireless and digital subscriber line ("DSL") services on a single monthly bill and at a price discount to the purchase of each service on an individual basis. As of December 31, 2004 the Company had approximately 123,000 subscribers to this comprehensive bundling package, which represents 13% of the Company's primary consumer and business access lines.

The Company in 1983 was initially, and remains presently, incorporated under the laws of Ohio. Its principal executive offices are at 201 East Fourth Street, Cincinnati, Ohio 45202 (telephone number (513) 397-9900 and website address *http://www.cincinnatibell.com)*. The Company makes available on its website at the investor relations tab its reports on Form 10-K, 10-Q, and 8-K (as well as all amendments to these reports) as soon as practicable after they have been electronically filed.

The Company files annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission ("the SEC") under the Exchange Act. These reports and other information filed by the Company may be read and copied at the Public Reference Room of the SEC, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. Information may be obtained about the Public Reference Room 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 this site is *http://www.sec.gov.*

Local

The Local segment provides local voice, data and other telephone services. Voice services include local service, switched access, information services and value-added services, which include enhanced custom calling features. Data services include dedicated network access, Gigabit Ethernet ("Gig-E") and Asynchronous Transfer Mode ("ATM") based data transport, and DSL and dial-up Internet access. Other services consist of inside wire installation, maintenance and other ancillary services. The Local segment provides these services primarily through the operations of CBT to customers located in southwestern Ohio, northern Kentucky and southeastern Indiana. This market consists of primarily 2,400 square miles located within approximately a 25-mile radius of Cincinnati, Ohio. The Company has operated by franchise granted under regulatory authority as the incumbent local exchange carrier ("ILEC") in the Greater Cincinnati area for approximately the past 130 years.

The Local segment, which launched local voice/data services to medium and large business customers within the 700 square mile market surrounding Dayton, Ohio in 2003, expanded its product suite in 2004 and began offering voice services to mass market residence and small business customers. Beginning in January 2005, CBT moved its operations outside of its ILEC territory to a newly formed Greater Dayton market, Cincinnati Bell Extended Territories ("CBET"). CBET provides services on its own network and by purchasing Unbundled Network Elements ("UNE-L's or loops") or UNE-platform ("UNE-P or platform") from the incumbent local carrier. CBET also operates in communities, which are contiguous to Cincinnati Bell's ILEC territory. Here, CBET provides service either completely on its own network or through UNE-L to 25% of its Greater Dayton market base and 35% of its overall competitive market base, which resides outside of the traditional ILEC territory. During 2005, CBET expects to migrate the majority of its service offered via UNE-P to UNE-L. The Local segment links its Cincinnati and Dayton geographies through its synchronous optical fiber network and provides this connectivity through multiple diverse routes.

The Local segment produced $761.7 million, $774.5 million and $781.7 million, or 63%, 50% and 36%, of consolidated Company revenue in 2004, 2003 and 2002, respectively. The Local segment produced consolidated operating income of $279.1 million, $282.7 million and $272.8 million in 2004, 2003 and 2002, respectively.

CBT provides voice services over a circuit switch-based network of 47 host switches and 40 optical remote switch modules serving customers in 56 wire centers. In addition, CBT has successfully leveraged its embedded network investment to provide value-added services and product bundling packages, resulting in additional revenue with minimal incremental costs. Digital switches serve all of CBT's network access lines and have integrated services digital network ("ISDN") and Signaling System 7 capability which are necessary to support enhanced features such as Caller ID, Call Waiting and Call Return. The network also includes approximately 2,154 route miles of fiber-optic cable, with synchronous optical network ("SONET") rings linking Cincinnati's downtown with other area business centers. These SONET rings offer increased reliability and redundancy to CBT's major business customers. CBT has deployed DSL capable electronics in over 252 locations throughout its territory, allowing it to offer DSL services to over 89% of its subscriber base. CBT also has an extensive business-oriented data network, offering native speed Ethernet services over an interlaced ATM — Gig-E backbone network.

CBT had approximately 970,000 network access lines in service on December 31, 2004, a 1.6% and 4.2% reduction in comparison to 986,000 and 1,012,000 access lines in service at December 31, 2003 and

2002, respectively. Approximately 68% of CBT's network access lines serve residential customers and 32% serve business customers. Despite the decline in access lines, the Company has been able to nearly offset the effect of these losses on revenue by increasing DSL penetration.

In March 2004, CBT increased the speed, up to four times faster than its existing DSL service, to compete with and to offer comparable speeds of its main high-speed internet competitors. The Company believes that this and increased marketing efforts helped its subscribers base to increase to 131,000 as of December 31, 2004, a 31% and 75% increase in comparison to 100,000 and 75,000 subscribers at December 31, 2003 and 2002, respectively. As of December 31, 2004, CBT was able to provide DSL service to approximately 89% of its ILEC's network access lines served by the Company, which the Company refers to as addressable access lines. Of the addressable access lines, CBT's consumer penetration was 20% at the end of 2004, an increase of five percentage points from 15% at the end of 2003. Business penetration of addressable lines has grown to 8% at the end of 2004, up two percentage points from 6% penetration at the end of 2003. On a combined basis, approximately 131,000 subscribers represent 17% penetration of addressable lines, compared to 13% penetration at the end of 2003.

Wireless

The Wireless segment provides advanced digital, voice and data communications services through the operation of a regional wireless network in a licensed service territory which surrounds Cincinnati and Dayton, Ohio including areas of northern Kentucky and southeastern Indiana. The segment offers service outside of its regional operating territory through wholesale, re-sale arrangements ("roaming agreements") with other wireless operators. The segment also sells related telecommunications equipment, wireless handset devices and related accessories to support its service business.

Cincinnati Bell Wireless LLC ("CBW"), a joint venture with Cingular Wireless Corporation ("Cingular"), through its recently acquired subsidiary AT&T PCS LLC ("AWE"), operates the Wireless segment. The Company owns 80.1% of CBW while Cingular owns the remaining 19.9%. CBW operates a digital wireless network which is comprised of centralized switching and messaging equipment connected to approximately 330 radio base station locations utilizing 40 MHz of wireless spectrum. CBW owns the license to 20MHz of spectrum in Cincinnati and Dayton, and has the right to use 10MHz owned by the Company in Cincinnati and 10MHz owned by AWE in Dayton, which the lease for the Dayton spectrum expires in April 2007. In addition, the Company also is leasing on a short-term basis incremental spectrum from AWE.

Since October 2003, CBW has deployed service on both Time Division Multiple Access ("TDMA") and Global System for Mobile Communications and General Packet Radio Service ("GSM/GPRS") technologies. TDMA is CBW's legacy technology and provides both voice and short message service ("SMS") data services. GSM/GPRS technology, to which CBW plans to migrate its subscriber base, provides, in addition to voice communication and SMS, enhanced wireless data communication services, such as mobile web browsing, internet access, email and picture messaging. The GSM/GPRS is enhanced data rates for GSM evolution ("EDGE") compatible, requiring only software upgrades to deliver higher speeds of data transmission and capacity. Based on current estimates, the Company expects that it will operate its TDMA network at least through early 2006.

CBW's operating territory includes a licensed population ("licensed pops") of approximately 3.4 million. As of December 31, 2004, CBW served approximately 481,000 subscribers, which represents 14% of its licensed pops. Of its total subscribers, 306,000 were postpaid subscribers, to which CBW bills monthly in arrears, and 175,000 were prepaid, i-wireless℠ subscribers, who purchase service in advance.

The Wireless segment contributed $261.7 million, $259.5 million and $267.2 million, or 22%, 17% and 12% of consolidated revenue in 2004, 2003 and 2002, respectively. The Wireless segment produced an operating loss of $1.4 million in 2004 and operating income of $60.2 million and $69.1 million in 2003 and 2002, respectively.

Postpaid subscribers generated approximately 72% of total 2004 segment revenue through a variety of rate plans, which typically include a fixed or unlimited number of minutes for a flat monthly rate, with additional minutes for fixed number of minute plans being charged at a per-minute-of-use rate. Prepaid i-wireless[SM] subscribers generated 15% of revenue and subscribers of other wireless carriers roaming on CBW's network generated 5% of total 2004 revenue.

Sales of handsets and accessories generated the remaining 8% of segment revenue. These sales occur primarily at CBW's retail locations, which consist of stores and kiosks in high-traffic shopping malls and commercial buildings in the Greater Cincinnati and Dayton, Ohio areas. Sales also take place in the retail stores of major electronic and other retailers pursuant to agency agreements. CBW sells handsets and accessories from a variety of vendors, maintains a supply of equipment and does not envision any shortages that would compromise its ability to service existing or to add new customers. Unlike service revenue (which is a function of wireless handset usage), equipment sales are seasonal in nature, as customers often purchase handsets and accessories as gifts during the holiday season in the Company's fourth quarter. In order to attract customers, CBW typically sells handsets for less than direct cost, a common practice in the wireless industry.

In response to Cingular's acquisition of AWE (the "Merger"), which Cingular announced on February 17, 2004 and then consummated on October 26, 2004, the Company entered into an agreement (the "Agreement") with Cingular on August 4, 2004 and subsequently amended it on February 14, 2005. The Agreement modifies CBW's operating agreement between the Company and AWE, whereby the Company has agreed to waive AWE's prohibition against competing with CBW and Cingular has agreed to forego certain minority rights including membership on CBW's governing member committee. In the Agreement, both parties have agreed to new reciprocal roaming agreements, to the disposition of certain TDMA assets which CBW and AWE had jointly used, and put/call obligations for the sale/purchase of CBW.

The Company has a right to purchase Cingular's 19.9% interest in CBW at a price of $85.0 million if purchased at any time prior to January 31, 2006, plus interest at an annual rate of 5%, compounded monthly, from the date of the Agreement. Thereafter, the Company may purchase the minority interest for $83.0 million, beginning on January 31, 2006 plus interest at an annual rate of 5%, compounded monthly, thereafter. In addition, at any time beginning on January 31, 2006 (or earlier, if the member committee calls for additional capital contributions not previously approved by AWE or Cingular), Cingular has a right to require the Company to purchase its interest in CBW at the purchase price of $83.0 million, plus interest at an annual rate of 5%, compounded monthly, from January 31, 2006.

As the wireless venture is jointly owned with Cingular, income or losses generated by the Wireless segment are shared between the Company and Cingular in accordance with respective ownership percentages of 80.1% and 19.9%. As a result, 19.9% of the net income or loss of the Wireless segment is reflected as minority interest expense or income in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss). Refer to Note 9 of the Notes to Consolidated Financial Statements for a detailed discussion of Cingular's minority interest in this venture.

Hardware and Managed Services

The Hardware and Managed Services segment provides data center collocation, IT consulting services, telecommunications and computer equipment in addition to their related installation and maintenance. The Hardware and Managed Services is comprised of the operations within Cincinnati Bell Technology Solutions ("CBTS"). The segment produced revenue of $134.7 million, $162.8 million and $215.4 million in 2004, 2003 and 2002, respectively. The Hardware and Managed Services segment revenue constituted approximately 11% of consolidated revenue in 2004 and 2003, and 10% of consolidated revenue in 2002. The Hardware and Managed Services segment produced operating income of $12.7 million and $17.5 million in 2004 and 2003, respectively, and an operating loss of $9.4 million in 2002.

In March 2004, CBTS sold certain operating assets, which were generally residing outside of the Company's operating area for approximately $3.2 million in cash. During the second quarter of 2004, CBTS paid $1.3 million to the buyer of the assets in working capital adjustments related to the sale.

Other

The Other segment combines the operations of CBAD, CBCP and Public. CBAD and CBCP market and sell voice long distance service and surveillance hardware and monitoring services to residential and business customers in the Company's operating area, while Public provides public payphone services in a four state area in the midwestern and southern United States. In the fourth quarter of 2004, the Company sold its payphone assets located at correctional institutions and those outside of the Company's operating area for $1.4 million.

The Other segment produced revenue of $78.6 million, $81.1 million and $82.8 million in 2004, 2003 and 2002, respectively. The Other segment revenue constituted approximately 7%, 5% and 4% of consolidated revenue in 2004, 2003 and 2002, respectively. The Other segment produced operating income of $18.0 million, $6.5 million and $1.7 million in 2004, 2003 and 2002, respectively.

Cincinnati Bell Any Distance

CBAD primarily resells long distance services to businesses and residential customers in the Greater Cincinnati and Dayton, Ohio areas. At December 31, 2004, CBAD had approximately 562,000 subscribers compared to 539,000 and 555,000 long distance subscribers at December 31, 2003 and 2002, respectively. With regard to Local segment access lines for which a long distance carrier is chosen, CBAD's market share within the Greater Cincinnati area increased in 2004, with residential and business market share growing to approximately 76% and 48%, respectively, from 71% and 45%, respectively, at the end of 2003. Of CBT's 970,000 access lines, approximately 403,000 residential access lines and 118,000 business access lines subscribed to "Any Distance" as of December 31, 2004. In 2004, CBAD produced $62.8 million in revenue for the Other segment, representing approximately 5% of consolidated revenue, compared to $68.2 million or 4% of consolidated revenue in 2003 and $68.8 million or 3% of consolidated revenue in 2002.

Cincinnati Bell Complete Protection Inc.

CBCP provides surveillance hardware and monitoring services to residential and business customers in the Greater Cincinnati and Dayton, Ohio areas. At December 31, 2004, CBCP had approximately 7,000 monitoring subscribers in comparison to 6,000 and 5,000 monitoring subscribers at December 31, 2003 and 2002, respectively. In 2004, CBCP produced $3.9 million in revenue for the Other segment. As of the end of 2004, CBCP has decided to focus its operations on providing monitoring services in which it can leverage operating synergies with the Company's local operation. CBCP will discontinue sales of surveillance equipment to business customers which do not also have an on-going monitoring service relationship. These sales comprise approximately $2 million of CBCP's 2004 revenue; however, these sales only contributed modestly to the Other segment's profitability.

Cincinnati Bell Public Communications Inc.

Public has provided public payphone services to customers in a seven state regional area. Subsequent to the fourth quarter of 2004, when the Company sold substantially all its out-of-territory assets, services are now provided in a four state regional area. Public had approximately 4,600, 8,100 and 7,700 stations in service as of December 2004, 2003 and 2002, respectively, and generated approximately $10.6 million, $12.8 million and $13.7 million in revenue in 2004, 2003 and 2002, respectively, or less than 1% of consolidated revenue in each year. The revenue decrease is a result of reduced calls per line caused by continued penetration of wireless communications and a targeted reduction in unprofitable lines. The out-of-territory assets sold contributed approximately $2.6 million to the Other segment's total revenue with only marginal contribution to the segment's operating income.

Broadband

The Broadband segment no longer has any substantive, on-going operations. As discussed above, on February 22, 2003, certain of the Company's subsidiaries entered into a definitive agreement to sell substantially all of the operating assets of the Broadband segment for up to $129 million in cash and the assumption of certain long-term operating contractual commitments. On June 6, 2003 and June 13, 2003, this agreement was amended to, among other things, reduce the initial purchase price to $108.7 million (an estimated $91.5 million in cash and a $17.2 million preliminary working capital promissory note, which was ultimately reduced to zero based on the final working capital position of the broadband business). The buyer paid the initial cash purchase price of $91.5 million, of which $29.3 million was placed into escrow to support certain potential purchase price adjustments and the remaining purchase price payable. On June 13, 2003, the Company effectively transferred control of the broadband business to the buyer. In accordance with Statement of Financial Accounting Standards No. 144 ("SFAS 144"), the Company ceased depreciating the assets to be sold upon entering into the definitive agreement.

Broadband revenue was $332.4 million and $911.4 million, or 21% and 42% of consolidated revenue in 2003 and 2002, respectively. Broadband generated operating income of $344.5 million in 2003, or 50% of consolidated operating income and operating loss of $2,415.7 million in 2002. In 2003, the Broadband segment operating income included $336.7 million related to the gain on sale of the broadband assets.

Subsequent to the closing of the asset sale, the Broadband segment consists of certain liabilities not assumed by the buyer. Prior to the sale of the broadband assets, revenue for the Broadband segment was generated from broadband transport (which included non-cash revenue from indefeasible right of use agreements ("IRU's")), switched voice services, data and Internet services (including data collocation and managed services) and other services. These transport and switched voice services were generally provided over BRCOM's national optical network, which comprised approximately 18,700 route miles of fiber-optic transmission facilities. Due to the sale of the broadband business, the Company's Broadband segment revenue was zero in 2004 and is expected to be zero going forward.

Broadband transport services consisted of long-haul transmission of data, voice and Internet traffic over dedicated circuits. Revenue from the broadband transport category was primarily generated by private line monthly recurring revenue. However, approximately 37% and 44% of the broadband transport revenue in 2003 and 2002, respectively, was provided by IRU agreements, which cover a fixed period of time and represent the lease of capacity or network fibers. The buyer of IRU services typically pays cash or other consideration upon execution of the contract. The Company's policy and practice was to amortize these payments into revenue over the life of the contract. In the event the buyer of an IRU terminated a contract prior to the contract expiration and released the Company from the obligation to provide future services, the remaining unamortized unearned revenue was recognized in the period in which the contract was terminated. Broadband transport services produced 48% and 51% of Broadband segment revenue in 2003 and 2002, respectively.

Switched voice services consisted of billed minutes of use, primarily for the transmission of voice long distance services on behalf of both wholesale and retail customers. Switched voice services provided 34% and 37% of Broadband segment revenue in 2003 and 2002, respectively.

Network construction and other services consisted of large, joint-use network construction projects. The Company typically gained access to rights-of-way or additional fiber routes through its network construction activities. In November 2001, the Company announced its intention to exit the network construction business upon completion of one remaining contract. That contract to build a fiber route system was in dispute before the interested parties reached a final settlement in February 2004.

Risk Factors

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

The Company has a substantial amount of debt and has significant debt service obligations. As of December 31, 2004, the Company had outstanding indebtedness of $2,141.2 million and a total shareowners' deficit of $624.5 million. In addition, the Company had the ability to borrow additional amounts under its then existing revolving credit facility, subject to compliance with certain conditions. The Company may incur additional debt from time to time, subject to the restrictions contained in its credit facilities and other debt instruments.

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

- the Company will be required to use a substantial portion of its cash flow from operations to pay principal and interest on its debt, thereby reducing the availability of cash flow to fund working capital, capital expenditures, strategic acquisitions, investments and alliances and other general corporate requirements;

- the Company's interest expense could increase if interest rates in general increase because a significant portion of its debt bears interest at floating rates;
- the Company's substantial debt will increase its vulnerability to general economic downturns and adverse competitive and industry conditions and could place the Company at a competitive disadvantage compared to those of its competitors that are less leveraged;
- the Company's debt service obligations could limit its flexibility to plan for, or react to, changes in its business and the industry in which it operates;
- the Company's level of debt may restrict it from raising additional financing on satisfactory terms to fund working capital, capital expenditures, strategic acquisitions, investments and joint ventures and other general corporate requirements;
- a potential failure to comply with the financial and other restrictive covenants in the Company's debt instruments, which, among other things, require it to maintain specified financial ratios could, if not cured or waived, have a material adverse effect on the Company's ability to fulfill its obligations and on its business or prospects generally.

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 that future borrowings will be available under its credit facilities, in each case, in amounts sufficient to enable the Company to service its indebtedness, or to fund other liquidity needs. If the Company cannot service its indebtedness, it will have to take actions such as reducing or delaying capital expenditures, strategic acquisitions, investments and joint ventures, selling assets, restructuring or refinancing indebtedness or seeking additional equity capital, which may adversely affect its customers and affect their willingness to remain customers. The Company cannot provide assurance that any of these remedies could, if necessary, be effected 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 depends on the receipt of dividends or other intercompany transfers from its subsidiaries.

Certain of the Company's material subsidiaries are subject to regulatory issues that potentially restrict their ability to distribute funds or assets to the Company. If the Company's subsidiaries were to be prohibited from paying dividends or making distributions to the Company, it would have a material adverse effect on the Company and the trading price of the Cincinnati Bell common stock, preferred stock and debt instruments.

The Company's creditors and preferred stockholders will have claims to the assets and earnings of these subsidiaries that are superior to claims of the holders of Cincinnati Bell common stock. Accordingly, in the event of the Company's dissolution, bankruptcy, liquidation or reorganization, amounts may not be available for payments to Cincinnati Bell common stock holders until after the payment in full of the claims of creditors of the Company and its subsidiaries, the Company's creditors and preferred stockholders.

The Company depends upon its credit facilities to provide for its financing requirements in excess of amounts generated by operations.

The Company depends on the credit facilities to provide for temporary financing requirements in excess of amounts generated by operations. In February 2005, the Company entered into a new $250 million revolving credit facility with $127.8 million of available borrowing capacity. The ability to borrow from the credit facilities is predicated on the Company's and its subsidiaries' compliance with covenants. Failure to satisfy these covenants could severely constrain its ability to borrow under the credit facilities. As of December 31, 2004, the Company was in compliance with all of the covenants of its credit facilities.

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

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

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

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

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

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

A breach of any of these restrictive covenants or the Company's inability to comply with the required financial ratios and financial results could result in a default under the credit facilities. During the occurrence and continuance of a default under the credit facilities, the lenders may elect not to provide loans until such default is cured or waived. Additionally, if certain defaults occur, the lenders may elect to declare all outstanding borrowings, together with accrued interest and other fees, to be immediately due and payable. The lenders will also have the right in these circumstances to terminate any commitments they have to provide further borrowings. Additionally, the Company's debt instruments contain cross-acceleration provisions, which generally cause each instrument to accelerate upon a qualifying acceleration of any other debt instrument.

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

As of December 31, 2004, the Company had a net deferred tax asset of $707.8 million, which includes U.S. federal net operating loss carryforwards of approximately $635.6 million and state and local net operating loss carryforwards of approximately $225.0 million. Valuation allowances of approximately $144.2 million have been provided against certain state and local net operating losses and other state deferred taxes due to the uncertainty of the Company's ability to utilize the assets within statutory expiration period. For more information concerning the Company's net operating loss carryforwards, deferred tax assets and valuation allowance, see Note 13 of Notes to Consolidated Financial Statements. If the Company is unable for any reason to fully realize its deferred tax assets, its business and future cash flows could be adversely affected.

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

The telecommunications industry is very competitive. Either new entrants, such as cable companies, or existing competitors, attempting to respond to difficult market conditions, may reduce pricing, create new bundled offerings or develop new, potentially disruptive technologies, products and 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 may continue to lose, access lines by virtue of customers moving their local wireline service to competitive wireline or wireless providers. The Company also competes with voice over internet protocol ("VoIP") providers as well as broadband service providers utilizing cable or powerline access technologies.

CBT faces competition from other local exchange carriers, wireless service providers, interexchange carriers, cable and broadband and Internet service providers. As of December 31, 2004, approximately 49 companies were certified to offer telecommunications services in CBT's local franchise area and had interconnection agreements with CBT. The Company believes CBT could face greater competition as new facilities-based service providers with existing service relationships with CBT's customers compete more aggressively and focus greater resources on the Greater Cincinnati operating area. In November 2003, Time Warner Cable filed an application with the Public Utilities Commission of Ohio to provide local and interexchange voice service in several market areas in Ohio, including Cincinnati. In June 2004, Time Warner began offering VoIP and long distance service in both Cincinnati and Dayton. In July 2004, both AT&T and Verizon began offering VoIP and long distance service in Cincinnati and Dayton. Also, in July 2004, the local gas and electric supplier began offering high-speed Internet access over electrical lines to customers in limited neighborhoods of CBT's operating area.

If the Company is unable to effectively implement strategies to retain access lines, the Company's traditional telephone businesses will be adversely affected.

CBW is one of seven active wireless service providers in the Cincinnati and/or Dayton, Ohio metropolitan market areas, including Cingular, Sprint PCS, T-Mobile, Verizon, Nextel and Leap, all of which are nationally known and most are well funded. The Company anticipates that continued competition could compress its gross margins for wireless products and services as carriers continue to offer more minutes for equivalent or lower service fees because CBW cannot offer more minutes without incremental costs. CBW's ability to compete will depend, in part, on its ability to anticipate and respond to various competitive factors affecting the telecommunications industry. Furthermore, as evidenced by Cingular's recent acquisition of AWE, and the planned merger of Sprint and Nextel, there has been a trend in the wireless communications industry towards consolidation through joint ventures, reorganizations and acquisitions. The Company expects this consolidation to lead to larger competitors with greater resources and more service offerings than CBW. Furthermore, rules adopted by the Federal Communications Commission now permit wireless subscribers to retain their wireless phone numbers when changing to another wireless carrier within the same geographic area. The Company generally does not enter into long-term contracts with its wireless subscribers and, therefore, such rules could have an adverse affect on the Company.

The Company's other subsidiaries operate in a largely local or regional area, and each of these subsidiaries faces significant competition. CBTS competes against numerous other information technology consulting, web-hosting and computer system integration companies, many of which are larger, national in scope and better financed. CBAD competitors include large national long-distance carriers, such as AT&T, MCI and Sprint, and emerging VoIP providers. CBCP competes against national companies, such as ADT, and against local providers. Public competes with several other public payphone providers, some of which are national in scope and offer lower prices for coin-based local calling services. Public has also continued to be adversely impacted by the growing popularity of wireless communications.

The effect of the foregoing competition on any of the Company's subsidiaries could have a material adverse impact on its businesses, financial condition and results of operations. This could result in increased reliance on borrowed funds and could impact the Company's ability to maintain its wireline and wireless networks.

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

During the year ended December 31, 2004, capital expenditures totaled $133.9 million. The Company expects to spend approximately 12% of future revenue on capital expenditures in future periods excluding any significant expenditures associated with the introduction of new products, services or network expansion. The Company may incur significant additional capital expenditures as a result of unanticipated developments, regulatory changes and other events that impact the business. If the Company is unable or fails to adequately maintain or expand its networks to meet customer needs, there could be a material adverse impact on the Company's market share and its ability to generate revenue.

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

The TDMA wireless network currently operates on spectrum, which the FCC has licensed to CBW. For its GSM network, CBW uses spectrum licensed to the Company or to Cingular. Introduction of new wireless products and services, as well as maintenance of the existing wireless business, may require CBW to obtain additional spectrum in the Cincinnati or Dayton markets, either to supplement or to replace the existing spectrum. There can be no assurance that such spectrum will be available to CBW or will be available on commercially favorable terms. Failure to obtain any needed new spectrum or to retain existing spectrum could have a materially adverse impact on the wireless business as a whole, the quality of the wireless networks, and the ability to offer new competitive products and services.

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

Several of the Company's subsidiaries are subject to regulatory oversight of varying degrees at both the state and federal levels which may differ from the regulatory scrutiny faced by the Company's competitors. A significant portion of CBT's revenue is derived from pricing plans that require regulatory overview and approval. Different interpretations by regulatory bodies may result in adjustments to revenue in future periods. In recent years, these regulated pricing plans have resulted in decreasing or fixed rates for some services. In the future, regulatory initiatives that would put CBT at a competitive disadvantage or mandate lower rates for its services could result in lower profitability and cash flow for the Company. In addition, different regulatory interpretations of existing regulations or guidelines may affect the Company's revenues in future periods.

At the federal level, CBT is subject to the Telecommunications Act of 1996, including the rules subsequently adopted by the FCC to implement the 1996 Act, which has impacted Cincinnati Bell Telephone'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 Cincinnati Bell Telephone's ability to compete in territory or upon its out-of-territory subsidiary's ability to compete in its markets.

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

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. No assurance can be given that changes in current or future regulations adopted by the FCC or state regulators, or other legislative, administrative, or judicial initiatives relating to the telecommunications industry, will not have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Failure to anticipate the needs for and introduce new products and services may compromise our success in the telecommunications industry.

The Company's success depends, in part, on being able to anticipate the needs of current and future enterprise, carrier and residential customers. The Company seeks to meet these needs through new product introductions, service quality and technological superiority. For example, in 2003, we began implementing the Global System for Mobile Communications and General Packet Radio Service, or GSM/GPRS, technology. GSM/GPRS technology provides enhanced wireless data and voice communications. We are also investigating the implementation of the next generation of high-speed voice and data communications and entertainment services. New products and services such as these and our ability to anticipate the future needs of our customers are critical to our success.

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

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

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

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

The Company could incur significant costs as a result of a number of putative class action and derivative lawsuits that were filed against the Company.

During 2004, 2003 and 2002, a number of putative class action and derivative lawsuits were filed against the Company and certain of its current and former officers and directors which allege a number of violations of securities laws. The Company is vigorously contesting these matters, but such litigation could result in substantial costs and have a material impact on the Company's financial condition, results of operation and cash flow. An adverse decision or settlement in any of these cases could require the Company to pay substantial damages, which would have a material adverse affect on our business and operations.

The Company generates substantially all of its revenue by serving a limited geographic area.

The Company generates substantially all of its revenue by serving customers in the Greater Cincinnati and Dayton, Ohio areas. An economic downturn or natural disaster occurring in this limited operating territory could have a disproportionate effect on the Company's business, financial condition, results of operations and cash flow compared to similar companies of a national scope and similar companies operating in different geographic areas. Refer to Note 22 of Notes to Consolidated Financial Statements, included in Item 8 on this Form 10-K.

If the Company fails to extend or renegotiate its collective bargaining contract with its labor unions when it expires, 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 a collective bargaining contract with its labor unions, which represent a significant number of its employees. Although the Company believes that its relations with its employees are satisfactory, no assurance can be given that the Company will be able to successfully extend or renegotiate its collective bargaining agreement when it expires on May 7, 2005. If the Company fails to extend or renegotiate its collective bargaining agreement, if disputes with its unions 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 eventually higher ongoing labor costs, either of which could have a material adverse effect on the Company's business.

Capital Additions

The capital additions of the Company are primarily for telephone plant in its local service area and development of the infrastructure of its wireless business. Capital additions for 2002, 2001 and 2000 also included significant capital additions for broadband fiber-optic transmission facilities.

The following is a summary of capital additions for the years 2000 through 2004:

(Dollars in millions)	Local Telephone Operations	Fiber-Optic Transmission Facilities	Wireless Infrastructure	Hardware and Managed Services Facilities	Other	Total Capital Additions
2004	$ 80.1	$ —	$32.4	$15.6	$5.8	$133.9
2003	$ 81.0	$ 3.6	$40.2	$ 0.6	$1.0	$126.4
2002	$ 80.3	$ 59.2	$29.5	$ 5.7	$1.2	$175.9
2001	$121.4	$472.0	$52.0	$ —	$3.1	$648.5
2000	$157.4	$599.9	$84.2	$ —	$2.2	$843.7

Employees

At February 28, 2005, the Company had approximately 3,000 employees. CBT had approximately 1,500 employees covered under a collective bargaining agreement with the Communications Workers of America, which is affiliated with the AFL-CIO. This collective bargaining agreement expires on May 7, 2005.

Business Segment Information

The amount of revenue, intersegment revenue, operating income (loss), assets, capital additions and depreciation and amortization attributable to each of the Company's business segments for the years ended December 31, 2004, 2003 and 2002 is set forth in Note 18 of the Notes to Consolidated Financial Statements contained in Item 8 of this Report on Form 10-K.

Item 2. Properties

Cincinnati Bell Inc. and its subsidiaries own or maintain telecommunications facilities in primarily three states. Principal office locations are in Cincinnati, Ohio.

The property of the Company is principally comprised of telephone plant in its local telephone franchise area (i.e., Greater Cincinnati), and the infrastructure associated with its wireless business in the Greater Cincinnati and Dayton, Ohio operating areas. Each of the Company's subsidiaries maintains some investment in furniture and office equipment, computer equipment and associated operating system software, application system software, leasehold improvements and other assets. Facilities equipment and access circuits leased as part of an operating lease arrangement are expensed as equipment or services are used in the business and are not included in the totals below.

With regard to its local telephone operations, substantially all of the central office switching stations are owned and situated on land owned by the Company. Fiber-optic transmission facilities consist largely of fiber-optic cable, conduit, optronics, rights-of-way and structures to house the equipment. Some business and administrative offices are located in rented facilities, some of which are recorded as capitalized leases and included in the “Buildings and leasehold improvements” caption below. In 2003, the Company entered into a lease termination agreement whereby the Company will relocate from its current headquarters offices in Cincinnati, Ohio. Under the terms of the agreement, the Company is required to vacate the facilities by the fourth quarter of 2005. The Company has completed its review of new facilities for its headquarters of which will remain in Cincinnati, Ohio.

The wireless infrastructure consists primarily of switching and messaging equipment, radio transmitters, receivers, and cabinetry as well as towers, and antennae. With regard to its wireless operations, CBW both owns and leases the locations which house its switching and messaging equipment. It owns approximately 50% of the tower structures upon which its radio base stations reside. CBW leases space primarily from other wireless carriers for the remaining 50% of its tower sites. CBW typically leases the land upon which its towers sit. These ground leases are typically renewable at CBW’s option with predetermined rate escalations.

The gross investment in property, plant and equipment, at December 31, 2004 and 2003 is comprised of the following (dollars in millions):

	2004	2003
Land and rights-of-way	$ 5.7	$ 5.7
Buildings and leasehold improvements	195.6	189.2
Telephone plant	2,169.4	2,099.9
Transmission facilities	72.7	75.3
Furniture, fixtures, vehicles and other	118.3	137.1
Construction in process	21.7	17.8
Total	$2,583.4	$2,525.0

The gross investment in property, plant, and equipment includes $28.4 million and $34.7 million of assets accounted for as capital leases in 2004 and 2003, respectively. These assets are included in the captions “Buildings and leasehold improvements,” “Telephone plant,” “Transmission facilities” and “Furniture, fixtures, vehicles and other.”

Properties of the Company are divided between operating segments as follows:

	2004	2003
Local	82.8%	84.1%
Wireless	15.8%	15.1%
Hardware and Managed Services	0.7%	0.1%
Other	0.7%	0.7%
Total	100.0%	100.0%

Item 3. Legal Proceedings

The information required by this Item is included in Note 10 of the Notes to Consolidated Financial Statements that are contained in Item 8 of this Report on Form 10-K.

Item 4. Submission of Matters to a Vote of the Security Holders

None.

PART II

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

Market Information

The Company's common shares (symbol: CBB) are listed on the New York Stock Exchange and on the National Stock Exchange. As of March 4, 2005, there were approximately 78,000 holders of record of the 246,538,383 outstanding common shares of the Company. The high and low daily closing prices during each quarter for the last two fiscal years are listed below:

Quarter		1st	2nd	3rd	4th
2004	High	$5.89	$4.49	$4.35	$4.30
	Low	$4.00	$3.85	$3.46	$3.26
2003	High	$4.95	$6.80	$7.25	$5.79
	Low	$3.51	$3.71	$5.09	$4.84

Dividends

The Company does not currently intend to pay dividends on its common shares and is furthermore restricted in its ability to pay dividends pursuant to certain covenants contained in its various debt agreements. Refer to Note 7 of the Notes to Consolidated Financial Statements.

Issuer Purchases of Equity Securities

None.

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. The information contained in the table below has been recast to give effect to the sale of substantially all of the assets of Cincinnati Bell Directory in 2002. Refer to Note 16 of the Notes to Consolidated Financial Statements for a detailed discussion of the reporting of discontinued operations.

(dollars in millions, except per share amounts)	2004	2003	2002	2001	2000
Operating Data					
Revenue	$1,207.1	$1,557.8	$ 2,178.6	$2,252.3	$1,970.2
Cost of services and products, selling, general, and administrative, depreciation and amortization	896.7	1,204.3	2,034.1	2,273.7	1,979.4
Restructuring, asset impairments and other charges (a)	14.8	6.2	2,238.0	245.4	(0.8)
Gain on sale of broadband assets (b)	(3.7)	(336.7)	—	—	—
Operating income (loss)	299.3	684.0	(2,093.5)	(266.8)	(8.4)
Minority interest expense (income) (c)	(0.5)	42.2	57.6	51.3	44.1
Interest expense and other financing costs (d)	203.3	234.2	164.2	168.1	163.6
Loss (gain) on investments (e)	—	—	10.7	(11.8)	356.3
Income (loss) from continuing operations before discontinued operations, extraordinary items and cumulative effect of change in accounting principle	64.2	1,246.0	(2,449.2)	(345.2)	(406.3)
Net income (loss)	$ 64.2	$1,331.9	$(4,240.3)	$ (315.6)	$ (380.2)
Earnings (loss) from continuing operations per common share (f)					
Basic	$ 0.22	$ 5.44	$ (11.27)	$ (1.64)	$ (1.96)
Diluted	$ 0.21	$ 5.02	$ (11.27)	$ (1.64)	$ (1.96)
Dividends declared per common share	$ —	$ —	$ —	$ —	$ —
Weighted average common shares outstanding (millions)					
Basic	245.1	226.9	218.4	217.4	211.7
Diluted	250.5	253.3	218.4	217.4	211.7
Financial Position					
Property, plant and equipment, net	$ 851.1	$ 898.8	$ 867.9	$3,059.3	$2,978.6
Total assets (g)	1,958.7	2,073.5	1,452.6	6,279.4	6,478.6
Long-term debt (d)	2,111.1	2,274.5	2,354.7	2,702.0	2,507.0
Total debt (d)	2,141.2	2,287.8	2,558.4	2,852.0	2,521.0
Total long-term obligations(h)	2,237.7	2,406.0	2,966.3	3,264.5	3,105.0
Minority interest (c)	39.2	39.7	443.9	435.7	433.8
Shareowners' equity (deficit) (g)	(624.5)	(679.4)	(2,598.8)	1,645.9	2,018.4
Other Data					
Cash flow provided by operating activities	$ 300.7	$ 310.6	$ 192.6	$ 259.5	$ 328.4
Cash flow provided by (used in) investing activities	(124.3)	(42.8)	192.4	(534.6)	(851.9)
Cash flow provided by (used in) financing activities	(177.5)	(286.7)	(370.1)	267.2	480.6
Capital expenditures	(133.9)	(126.4)	(175.9)	(648.5)	(843.7)

(a) See Notes 1, 4, and 5 of Notes to Consolidated Financial Statements.
(b) See Note 2 of Notes to Consolidated Financial Statements.
(c) See Note 9 of Notes to Consolidated Financial Statements.
(d) See Note 7 of Notes to Consolidated Financial Statements.

(e) See Note 6 of Notes to Consolidated Financial Statements.
(f) See Note 12 of Notes to Consolidated Financial Statements.
(g) See Notes 1 and 4 of Notes to Consolidated Financial Statements.
(h) Total long-term obligations comprise long-term debt, other noncurrent liabilities that will be settled in cash and the BRCOM Preferred Stock, which prior to its exchange in 2003 was classified as minority interest in the consolidated financial statements.

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

"Management's Discussion and Analysis of Financial Condition and Results of Operations" which follows should be read in conjunction with the "Private Securities Litigation Reform Act of 1995 Safe Harbor Cautionary Statement", "Risk Factors," and Consolidated Financial Statements and accompanying Notes to Consolidated Financial Statements.

Cincinnati Bell Inc. (the "Company") provides diversified telecommunications services through businesses in five segments: Local, Wireless, Hardware and Managed Services, Other and Broadband. A further discussion of these segments and their operating results is discussed in Item 1, "Business", and in the individual segment discussions which begin on page 30 of this Report on Form 10-K.

Executive Summary

Cincinnati Bell Inc. is a full-service local provider of data and voice communications services and equipment and a regional provider of wireless and long distance communications services. The Company provides telecommunications service on its owned local network with a well-regarded brand name and reputation for service. The Company operates in five business segments: Local, Wireless, Hardware and Managed Services, Other and Broadband.

In 2004, the Company's primary objectives were to: 1) reduce indebtedness, 2) defend the Company's core franchise against increasing competition, and 3) add to the Company's growth businesses. Measurements of the Company's performance against these objectives are as follows:

- Reduced total indebtedness by 7%, from \$2,287.8 million to \$2,141.2 million, primarily with operating cash flows.
- Defended its core franchise through bundling, adding 52,000 net subscribers to its Custom Connections℠ "Super Bundle" which offers local, long distance, wireless, DSL and the Company's value-added service package, Complete Connections®, on a single bill at a price lower than that for which the customer could buy all of the services individually. The Company finished the year with 123,000 super bundle subscribers, or 73% more than at the end of 2003. In addition, total access lines declined by 1.6% versus 2003, a full percentage point improvement over the 2.6% annual decline reported in the prior year as the company experienced little impact from cable telephony competition.
- Increased internet revenues by \$11.0 million by adding 31,000 Digital Subscriber Line (DSL) subscribers, or 26% more than were added in 2003. The Company finished the year with 131,000 DSL subscribers, or 31% more than at the end of 2003. Penetration of its DSL product increased by 4%, to 14% of total owned facilities access lines.

For 2005, the Company expects to continue execution against the same objectives. In early 2005, as discussed in Note 23 to the Consolidated Financial Statements, the Company completed the first stage of its refinancing plan, the primary objective of which is to increase cash flows by providing the flexibility with regard to the future extinguishment of its 16% Senior Subordinated Discount notes Due 2009 (the "16% notes"). These notes mature in January 2009 and are callable at 108% of their accreted value in March 2006.

Regarding defense of its core franchise, the Company expects continued growth of its super bundle. To build on the success of its bundled solutions over the past several years, the Company plans to invest in enhanced billing and customer care platforms that will further automate operations and enable the Company to provide better service at lower cost. As a result of this planned investment in customer service, the Company announced a restructuring plan in the fourth quarter of 2004, continuing through 2006 to better align its cost structure with the future bundling opportunity. The Company believes this strategy will maintain its reputation for quality service and reduce annual operating expenses by \$20 to \$25 million by 2006.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. The Company continually evaluates its estimates, including, but not limited to, those related to revenue recognition, costs of providing service, bad debts, inventories and any related reserves, income taxes, fixed assets, goodwill, intangible assets, depreciation, restructuring, pensions, other postretirement benefits and contingencies. The Company bases its estimates on historical experience and on various other assumptions believed to be reasonable under the facts and circumstances. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies impact the more significant judgments and estimates used in the preparation of its consolidated financial statements. Additionally, the Company's senior management has discussed the critical accounting policies and estimates with the Audit and Finance Committee. For a more detailed discussion of the application of these and other accounting policies, refer to Note 1 of the Notes to Consolidated Financial Statements.

Revenue Recognition — The Company recognizes revenue as services are provided. Local access fees are billed monthly, in advance, while revenue is recognized as the services are provided. Postpaid wireless, long distance, switched access, reciprocal compensation and data and Internet product services are billed monthly in arrears, while the revenue is recognized as the services are provided.

The Company bills service revenue in regular monthly cycles, which are dispersed throughout the days of the month. Because the day of each billing cycle rarely coincides with the end of the Company's reporting period for usage-based services such as postpaid wireless, long distance and switched access, the Company must estimate service revenues earned but not yet billed. The Company bases its estimates upon historical usage and adjusts these estimates during the period in which the Company can determine actual usage, typically in the following reporting period. These adjustments may have a material impact upon operating results of the Company during the period of the adjustment.

The Company recognizes equipment revenue generally upon customer receipt or if contractually specified upon the performance of contractual obligations, such as shipment, delivery, installation or customer acceptance.

Prior to the sale of the broadband assets in the second and third quarter of 2003, broadband transport services were billed monthly, in advance, while revenue was recognized as the services were provided. In addition, the Company had entered into indefeasible right-of-use ("IRU") agreements, which represent the lease of network capacity or dark fiber, recording unearned revenue at the earlier of the acceptance of the applicable portion of the network by the customer or the receipt of cash. The buyer of IRU services typically paid cash or other consideration upon execution of the contract, and the associated IRU revenue was recognized over the life of the agreement as services were provided, beginning on the date of customer acceptance. In the event the buyer of an IRU terminated a contract prior to the contract expiration and released the Company from the obligation to provide future services, the remaining unamortized unearned revenue was recognized in the period in which the contract was terminated. Concurrent with the broadband asset sale, substantially all of the remaining IRU obligations were assumed by the buyer of the broadband assets.

Income Taxes — The income tax provision consists of an amount for taxes currently payable and an amount for tax consequences deferred to future periods. As of December 31, 2004, the Company had $707.8 million in net deferred tax assets. 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.

As of December 31, 2004, the Company had $1.8 billion in federal tax net operating loss carryforwards, with a deferred tax asset value of $635.6 million. The tax loss carryforwards are available to the Company to offset taxable income in current and future periods. The Company expects to utilize approximately $121 million of gross federal tax net operating loss carryforwards during 2005. The tax loss carryforwards will generally expire between 2011 and 2023 and are not currently limited under U. S. tax laws. Based on current income levels and anticipated future reversal of existing temporary differences, the Company will utilize its federal net operating loss carryforwards within their expiration periods.

In addition, the Company has state and local deferred tax assets of $247.6 million, $225.0 million of which relates to tax operating loss carryforwards. The Company has a $144.2 million valuation allowance related to these state and local tax assets. This allowance was provided due to uncertainties about the ultimate realization of certain state and local tax loss carryforwards prior to their expiration.

The Company determines its effective tax rate by dividing its income tax expense by its net income before taxes as reported in its statement of operations. For reporting periods prior to the end of the Company's fiscal year, the Company records income tax expense based upon an estimated annual effective tax rate. This rate is computed using the statutory tax rate and an estimate of annual net income adjusted for an estimate of non-deductible expenses.

The Company has certain non-deductible expenses, including interest expense related to securities issued to acquire its broadband business. During 2004 these non-deductible expenses were offset by benefits recorded to reduce the state deferred tax valuation allowance due to changes in utilization estimates of state net operating loss carryforwards. Excluding the effects of the reduction in the state valuation allowance, the Company's effective tax rate would exceed statutory rates and the effective rate will vary inversely with the amount of its income before tax.

Allowances for Uncollectible Accounts Receivable — The Company estimates the allowances for uncollectible accounts using both percentages of aged accounts receivable balances to reflect the historical average of credit losses and specific provisions for certain large, potentially uncollectible balances. The Company believes its allowance for uncollectible accounts is adequate based on the methods previously described. However, if one or more of the Company's larger customers were to default on its accounts receivable obligations or general economic conditions in the Company's operating area deteriorated, the Company could be exposed to potentially significant losses in excess of the provisions established. Substantially all of the Company's outstanding accounts receivable balances are with entities located within its geographic operating areas. Regional and national telecommunications companies account for the remainder of the Company's accounts receivable balances. No one entity or collection of legally affiliated entities represents 10% of the outstanding accounts receivable balances.

Estimated Useful Lives and Depreciation of Property, Plant and Equipment — The Company's provision for depreciation of telephone plant is determined on a straight-line basis using the whole life and remaining life methods. Provision for depreciation of other property, other than 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 probable. Repairs and maintenance expense items are charged to expense as incurred.

The Company estimates the useful lives of plant and equipment in order to determine the amount of depreciation and amortization expense to be recorded during any reporting period. The majority of the Local segment plant and equipment is depreciated using the group method, which develops a depreciation rate (annually) based on the average useful life of a specific group of assets rather than for each individual asset as would be utilized under the unit method. The estimated life of the group changes as the composition of the group of assets and their related lives changes. 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 or in a different form than anticipated, the useful lives assigned to these assets may need to be shortened, resulting in the recognition of increased depreciation and amortization 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 deprecation and amortization expense in future periods. A one-year decrease or increase in the useful life of these assets would increase or decrease depreciation and amortization expense by approximately $16.2 million and $11.0 million, respectively. The Company has reviewed these types of assets for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable over the remaining lives of the assets. In assessing impairments, the Company follows the provisions of Statement of Financial Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144").

During the fourth quarter of 2003, the Company revised the estimated economic useful life of its wireless TDMA network due to the expected migration of its TDMA customer base to its GSM/GPRS network. The Company shortened its estimate of the remaining economic useful life of its TDMA network to December 31, 2006. This has resulted in a $20.6 million increase in accumulated depreciation during 2004. If the migration to GSM/GPRS technology occurs more rapidly than the Company's current estimates and the existing TDMA network can not be effectively redeployed, the Company may be required to revise its estimate further or record an impairment charge related to its TDMA network.

Technological change, which occurs more rapidly than expected, may have the affect of shortening the estimated depreciable life of other network and operating assets that the Company employs. This could have a substantial impact on the consolidated depreciation expense and net income of the consolidated Company.

Prior to the beginning of 2003, the Company estimated net removal costs for outside plant assets of CBT and to the extent these costs exceeded gross salvage values, the Company increased its periodic depreciation expense to capture the difference between estimated net removal costs and gross salvage values in accumulated depreciation. When the Company retired these assets and expended the net removal costs, the Company recognized net removal costs as a reduction to accumulated depreciation.

In connection with the adoption of Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"), effective January 1, 2003, the Company removed the then existing accrued costs for the removal of outside telephone plant from the accumulated depreciation accounts. These accrued costs totaled $85.9 million, net of taxes, which the Company recognized as income. Refer to Note 1 of the Notes to Consolidated Financial Statements.

Since the Company had previously accrued for net removal costs in excess of salvage value in depreciation expense, depreciation expense for CBT was $6.7 million lower in 2003 than it would have otherwise been absent this accounting change. In total, CBT's depreciation expense declined by $21.0 million in 2003 from $146.7 million in 2002 to $125.7 in 2003. CBT expensed $2.2 million of cost of products and services in 2003 related to net removal costs in excess of salvage value.

Goodwill and Indefinite-Lived Intangible Assets — Goodwill represents the excess of the purchase price consideration over the fair value of assets acquired recorded in connection with purchase business combinations. Indefinite-lived intangible assets consist primarily of Federal Communications Commission ("FCC") licenses for spectrum of the Wireless segment. The Company determined that its wireless licenses met the definition of indefinite-lived intangible assets under Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), as the Company believes the need for wireless spectrum will continue independent of technology and the Company may renew the wireless licenses in a routine manner every ten years for a nominal fee, provided the Company continues to meet the service and geographic coverage provisions required by the FCC. Upon the adoption of SFAS 142 on January 1, 2002, the Company ceased amortization of remaining goodwill and indefinite-lived intangible assets.

Pursuant to SFAS 142, goodwill and intangible assets not subject to amortization are tested for impairment annually, or when events or changes in circumstances indicate that the asset might be impaired. For goodwill, a two-step impairment test is performed. The first step compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying value of a reporting unit exceeds its fair value, the second step of the impairment test is performed to measure the amount of impairment loss. The second step compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. The implied fair value is determined by allocating the fair value of a reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination. The excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. If the carrying amount of the reporting unit goodwill is in excess of the implied fair value of that goodwill, then an impairment loss is recognized equal to that excess. For indefinite-lived intangible assets, the impairment test consists of a comparison of the fair value of the intangible asset with its carrying value. If the carrying value of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

During 2004 and 2003, no write-down in the carrying value of goodwill was required based on its fair value. Fair value is an estimate based on the present value of an expected range of future cash flows. The expected range of future cash flows is based on internal forecasts developed utilizing management's knowledge of the business and the anticipated effects of market forces. The discount rate used to determine the present value is based on the weighted-average cost of capital in addition to a spread for other external market risks. Reducing the estimated fair value of goodwill by 10% would not have resulted in an impairment of the carrying value of goodwill.

During 2004 and 2003, no write-downs in the carrying values of indefinite-lived intangible assets were required based on their fair values. Indefinite-lived intangible assets consists of FCC licenses of the Wireless segment. Fair value is based on current external market rates for similar licenses. A 10% reduction in the estimated fair value of indefinite-lived intangible assets would not result in an impairment of the carrying value of the licenses.

Impairment of Long-lived Assets, Other than Goodwill and Indefinite-Lived Intangibles — The Company reviews the carrying value of long-lived assets, other than goodwill and indefinite-lived intangible assets discussed above, when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss is recognized when the estimated future undiscounted cash flows expected to result from the use of an asset (or group of assets) and its eventual disposition are 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.

Competition from new or more cost effective technologies could affect the Company's ability to generate cash flow from its network-based services. This competition could ultimately result in an impairment of certain of the Company's tangible or intangible assets. This could have a substantial impact on the operating results of the consolidated Company.

Pension and Postretirement Benefits — The Company calculates net periodic pension and postretirement expenses and liabilities on an actuarial basis under the provisions of Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions" ("SFAS 87"), Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("SFAS 106") and Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" ("SFAS 112"). The key assumptions used in determining these calculations are disclosed in Note 14 of the Notes to Consolidated Financial Statements. The actuarial assumptions attempt to anticipate future events and are used in calculating the expenses and liabilities related to these plans.

The most significant of these numerous assumptions, which are reviewed annually, include the discount rate, expected long-term rate of return on plan assets and health care cost trend rates. The discount rate is selected based on current market interest rates on high-quality, fixed-income investments at December 31 of each year. The health care cost trend rate is based on actual claims experience and future projections of medical cost trends. 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, costs of services and products and selling, general and administrative expenses.

The following table represents the sensitivity of changes in certain assumptions related to the Company's pension and postretirement plans:

	Pension Benefits			Postretirement and Other Benefits	
(dollars in millions)	**% Point Change**	**Increase/(Decrease) in Obligation**	**Increase/(Decrease) in 2004 Expense**	**Increase/(Decrease) in Obligation**	**Increase/(Decrease) in 2004 Expense**
Discount rate	±0.5%	\$(21.0)/22.0	\$(0.2)/0.1	\$(19.0)/19.0	\$(0.8)/0.8
Expected return on assets	±0.5%	—	\$2.4/(2.4)	—	\$0.4/(0.4)
Health care cost trend rate	±1%	n/a	n/a	\$52.7/(43.0)	\$4.6/(3.6)

The expected long-term rate of return on plan assets, developed using the building block approach, is based on the following: the participant's benefit horizons; the mix of investments held directly by the plans, which is generally 60% equities and 40% bonds; 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. To the extent the Company changed its estimate of the expected long-term rate of return on plan assets, there would be an impact on pension expense or income and the associated net liability or asset.

In its pension calculations, the Company utilizes the market-related value of plan assets, which is a calculated asset value that recognizes changes in asset fair values in a systematic and rational manner. Differences between actual and expected returns are recognized in the market related value of plan assets over five years.

Changes in actual asset return experience and discount rate assumptions can impact the Company's operating results, financial position and cash flows. Actual asset return experience results in an increase or decrease in the asset base and this effect, in conjunction with a decrease in the pension discount rate, may result in a plan's assets being less than a plan's accumulated benefit obligation ("ABO"). The ABO is the present value of benefits earned to date and is based on past compensation levels. The Company is required to show in its consolidated balance sheet a net liability that is at least equal to the ABO less the market value of plan assets. This liability is referred to as an additional minimum pension liability ("AML"). An AML, which is recorded and updated on December 31 each year, is reflected as a long-term pension liability with the offset recorded as an intangible asset, to the extent the Company has unrecognized prior service costs, with the remainder recorded in accumulated other comprehensive income (loss) in the equity section of the consolidated balance sheet, net of tax. With regards to the non-management pension plan, an increase in the ABO, or a corresponding decrease in plan assets of $3.0 million or greater as of December 31, 2004, would result in an AML of approximately $40.0 million, net of tax.

The actuarial expense calculation for the postretirement health plan is based on numerous assumptions, estimates and judgments including health care cost trend rates and cap-related cost sharing. Our non-management labor contract with the union contains contractual limits on the Company funded portion of retiree medical costs (referred to as "caps"). The Company has waived the premiums in excess of the caps during the current and past labor contract periods and, therefore has waived any cost sharing from those non-management retirees. The Company has previously accounted for the obligation for non-management retiree medical costs based on the terms of the written labor contract with the union. The Company has provided the same benefits for non-management and management retirees and therefore, has accounted for the obligation for management retiree medical costs on the same basis as non-management retiree medical costs.

The Company has determined that its past history of waiving and/or increasing caps in labor contract negotiations with the union, coupled with the expectation that the caps will be waived or increased in future contract negotiations, creates a substantive plan that is an uncapped plan and differs from the written plan. Accordingly, effective December 31, 2004, the Company has accounted for its retiree medical benefit obligation for non-management and management retirees as if there were no caps.

In May 2004, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") No. FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" ("FSP 106-2"). FSP 106-2 provides guidance on accounting for the effects of the new Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the "Act") by employers whose prescription drug benefits are actuarially equivalent to the drug benefit under Medicare Part D. FSP 106-2 was effective as of the first interim period beginning after June 15, 2004. The Company adopted FSP 106-2 during the third quarter of 2004 which reduced postretirement medical expense by $1.1 million and reduced the postretirement benefit obligation by $10.3 million in 2004. The reduction in postretirement expense for 2004 was comprised of a $0.6 million benefit related to interest cost and a $0.5 million benefit in the amortization of the actuarial loss.

Results of Operations

Consolidated Overview

The financial results for 2004, 2003, and 2002 referred to in this discussion should be read in conjunction with the Consolidated Statements of Operations and Comprehensive Income (Loss) on page 67 of this Report on Form 10-K.

2004 Compared to 2003

Revenue

Consolidated revenue totaled $1,207.1 million in 2004, which was $350.7 million, or 23%, less than 2003. Foregone revenue associated with disposed broadband assets is the primary reason that 2004 revenue has declined. Revenue of the Broadband segment, which no longer generates any revenue, decreased $332.4 million (or $302.1 million net of intercompany eliminations) in 2004 compared to 2003. Related to its sale of its assets which were located outside of the Company's local telephone or wireless operating territories, the Company estimates that revenue in its Hardware and Managed Services segment decreased approximately $33.4 million in 2004. Also, revenue in the Local segment declined $12.8 million during 2004 as data revenue growth from DSL transport and dial-up Internet access only partially offset declines in voice revenue.

Refer to Discussion of Operating Segment Results on page 29 of this Report on Form 10-K for detailed discussion of revenue by segment.

Costs and Expenses

Cost of services and products totaled $481.4 million in 2004 compared to $681.5 million in 2003. The decrease represents a decrease of $200.1 million, or 29%, compared to 2003. As a result of asset sales discussed above, the Broadband and the Hardware and Managed Services segments respectively contributed cost decreases of $202.8 million ($177.8 million net of intercompany eliminations) and $25.6 million during 2004. The Company also made improvements to its cost structure, in an effort to offset the effects of its Local segment declining voice revenue, by installing new switching infrastructure and negotiating lower transport costs in its long distance business and through recently enacted Ohio legislation which changed the basis of CBT's Ohio tax liability from a gross receipts basis to a franchise tax (income basis). These reduced the cost of services and products in 2004 by $10.2 million and $6.8 million respectively. Adding to cost of services and products, the Wireless segment incurred an additional $18.0 million of costs associated with increased handset sales. These sales supported both a 27% increase in new gross customer additions as well as the migration of 17% of the Company's legacy TDMA customers to its new GSM network.

Selling, general and administrative ("SG&A") expenses of $227.6 million in 2004 decreased $125.5 million, or 36%, compared to 2003 primarily due to the sale of substantially all the broadband assets in the second quarter of 2003. The SG&A decrease associated with the broadband assets sold was $128.9 million during 2004. Additionally, $7.6 million of reduced Hardware and Managed Services segment SG&A, largely the result of lower costs associated with the sale of the outside-of-territory assets, and an $11.2 million charge paid in 2003 to senior executives for certain success-based incentives and termination benefits (Refer to Note 3) substantially offset a $9.9 million increase in legal, compliance and other contracted services, a $7.8 million increase in advertising and promotional expenses related to the Company's increased gross new customer additions of 27% in Wireless and 25% in DSL and $3.2 million of corporate administrative expenses, which the Company had allocated to its Broadband segment in 2003.

Depreciation expense increased by 6%, or $9.5 million, to $178.6 million in 2004 compared to $169.1 million in 2003. The increase was primarily driven by $20.6 million of additional depreciation related to a decrease in the estimated economic useful lives of the Wireless TDMA network assets which more than offset $8.5 million of decreased Local segment depreciation.

Amortization expense of $9.1 million increased by $8.5 million compared to 2003. The increase was a result of $7.4 million in accelerated amortization expense related to the change in estimated economic useful lives of AWE roaming and trade name agreements, which ended in conjunction with Cingular's merger with AWE on October 26, 2004.

Restructuring charges during 2004 of $11.6 million were $14.2 million higher than 2003. During 2004, the Company initiated a restructuring plan in order to improve its operating efficiency and more effectively align its cost structure with future business opportunities. The restructuring plan includes a workforce reduction that will be implemented in stages, which began in the fourth quarter 2004. The Company expects to recognize approximately $20 to $25 million in annual cost savings related to this restructuring plan. Results in 2003 included $7.2 million in reversals of previously established reserves due to the settlement of terminated contract obligations and a change in the estimate of the termination costs of remaining contractual obligations. In December 2003, the Company initiated a restructuring plan to reduce future cash operating costs by approximately $9.1 million. This restructuring resulted in a charge of $4.6 million related to employee separation benefits.

In 2004, the Company recorded $3.2 million of asset impairments and other charges, which primarily consisted of $3.5 million recorded to write-down certain TDMA assets, which were removed from service and a $2.4 million impairment charge related to certain intangible assets. These charges were offset by a $1.5 million gain on the sale of assets, and a $1.1 million gain from the sale of its out-of-territory assets of the Hardware and Managed Services segment.

The Broadband segment recorded a gain on sale of broadband assets as a result of the expiration of certain indemnities to the buyer of $3.7 million during 2004 compared to $336.7 million during 2003. A detailed discussion of the sale of the broadband business is provided in Note 2 of the Notes to Consolidated Financial Statements.

As a result of the above, operating income decreased by $384.7 million to $299.3 million in 2004 compared to $684.0 million in 2003. The decrease in operating income was primarily due to the aforementioned gain on the sale of the broadband assets recorded in 2003.

Minority interest income of $0.5 million in 2004 relates to the 19.9% minority interest of Cingular in the net income of Cincinnati Bell Wireless LLC ("CBW"). This compares to minority interest expense of $42.2 million in 2003 as a result of a $32.0 million decline resulting from the exchange of the 12½% Junior Exchangeable Preferred Stock of BRCOM (the "12½% Preferreds") for common stock of the Company in September 2003 and a decline in the net income of CBW.

Interest expense and other financing costs of $203.3 million in 2004 decreased $30.9 million, or 13%, compared to $234.2 million recorded in 2003. This was primarily the result of a $24.8 million reduction in amortization of note issuance costs pertaining to the write-off of deferred financing costs related to the prepayment of the Company's credit facilities in 2003, which did not occur in 2004. The remaining $6.1 million reduction of interest expense is primarily the net of approximately $531.0 million reduced average debt outstanding offset partially by the issuance of the $500.0 million 7.25% Notes in July 2003 and the issuance of the 16% notes. Including fixed-rate interest hedges which expired in 2003, a 1.6% decrease from 5.6% in 2003 to 4.0% in 2004 in the average effective interest rate related to the Company's bank credit facilities decreased interest expense $8.0 million in 2004.

The Company had income tax expense of $36.1 million in 2004 compared to a benefit of $828.8 million in 2003. The increase in expense is primarily the result of the fourth quarter 2003 reversal of the Company's deferred income tax valuation allowance as a result of the substantial resolution of uncertainties related to BRCOM's liquidity. The effective income tax rate in 2004 is 36%, which differs from the federal statutory rate primarily due to the effects of certain non-deductible interest expense amounts, benefits from the reduction of certain state deferred tax valuation allowances and recurring state income tax expenses. The Company used $25.2 million of federal and state operating loss tax carryforwards in 2004 to defray payment of the majority of its federal and state tax liabilities. The Company paid $2.3 million in federal and state tax liabilities during 2004.

As a result of the items previously discussed, income before cumulative effect of change in accounting principle decreased to $64.2 million in 2004 compared to $1,246.0 million in 2003. In addition, the corresponding diluted earnings per share totaled $0.21 in 2004 compared to diluted earnings per share of $5.02 in the prior year.

Effective January 1, 2003, the Company recorded a benefit of $85.9 million as a cumulative effect of a change in accounting principle, net of taxes, related to the adoption of SFAS 143. The benefit principally related to the estimated telephone plant removal costs previously included in accumulated depreciation, which were reversed. Refer to Note 1 of the Notes to Consolidated Financial Statements for a detailed discussion of the adoption of SFAS 143.

2003 Compared to 2002

Revenue

Consolidated revenue totaled $1,557.8 million in 2003, which was $620.8 million, or 28%, less than 2002. The primary reason for the revenue decline was the sale of substantially all the broadband assets on June 13, 2003 (refer to Note 2 of the Notes to Consolidated Financial Statements). As a result of the sale, the Broadband segment will no longer generate revenue for broadband transport and switched voice services and will experience significant reductions in data and Internet revenue.

Refer to Discussion of Operating Segment Results on page 29 of this Report on Form 10-K for detailed discussion of revenue by segment.

Costs and Expenses

Cost of services and products totaled $681.5 million in 2003 compared to $1,035.6 million in 2002, a decrease of $354.1 million or 34%. The majority of the decrease, or $316.8 million, was the result of the sale of substantially all of the broadband assets. The 2002 costs included $13.3 million of construction contract termination costs not repeated in 2003. The remaining decline of $37.3 million was primarily the result of lower Cincinnati Bell Technology Solutions ("CBTS") costs related to decreased equipment sales.

Selling, general and administrative ("SG&A") expenses of $353.1 million in 2003 decreased $149.1 million, or 30%, compared to 2002. The decrease was primarily due to the sale of substantially all the broadband assets in the second quarter of 2003, lower payroll costs as a result of the October 2002 restructuring and cost reductions of $4.7 million as the Wireless segment assumed responsibility for network management services previously outsourced to AWE. The SG&A decrease associated with the broadband assets sold was $159.3 million. The decrease was offset by an increase in SG&A expense of $11.2 million which was primarily the result of success-based contractual incentives and termination benefits for certain senior executives pursuant to the sale of the broadband assets (Refer to Note 3 of the Notes to Consolidated Financial Statements). The termination benefits included $0.8 million of non-cash charges related to the accelerated vesting of stock options.

Depreciation expense decreased by 64%, or $301.9 million, to $169.1 million in 2003 compared to $471.0 million in 2002. The decrease was primarily driven by the Broadband segment as the Company recorded a non-cash impairment charge of $1,901.7 million in the fourth quarter of 2002 related to the Broadband segment's tangible assets (refer to Note 1 of the Notes to Consolidated Financial Statements). Additionally, due to the definitive agreement to sell substantially all of the assets of its Broadband segment, the broadband assets were classified as "held for sale," and the Company ceased depreciation in accordance with SFAS 144 on March 1, 2003 (refer to Note 2 of the Notes to Consolidated Financial Statements). The adoption of SFAS 143 on January 1, 2003 (refer to Note 1 of the Notes to Consolidated Financial Statements) also contributed to the reduction in depreciation expense as removal costs previously recorded as depreciation expense in the Local segment ceased, accounting for $6.4 million of the decrease.

Amortization expense of $0.6 million in 2003 relates to roaming and trade name agreements acquired by the Wireless segment. Amortization expense in 2003 decreased by $24.7 million compared to 2002. The decrease was due to the write-down of approximately $298.3 million of intangible assets in 2002 in association with the $2,200.0 million non-cash asset impairment charge recorded at the Broadband segment as discussed in Note 1 of the Notes to Consolidated Financial Statements.

Restructuring credits during 2003 of $2.6 million were $39.7 million lower than 2002 charges. Results in 2003 include $7.2 million in reversals of previously established reserves due to the settlement of terminated contract obligations and a change in the estimate of the termination costs of remaining contractual obligations. In December 2003, the Company initiated a restructuring plan to reduce future cash operating costs by approximately $9.1 million. This restructuring plan resulted in a charge of $4.6 million related to employee separation benefits for 106 employees. The $37.1 million of restructuring charges in 2002 were comprised of $16.5 million recorded in the first quarter of 2002 for employee termination benefits, the termination of a contractual commitment with a vendor related to the November 2001 restructuring, $9.6 million recorded in the third quarter of 2002 primarily for employee termination benefits related to the September 2002 restructuring plan, and $14.7 million recorded in the fourth quarter of 2002 related to the October 2002 restructuring plan. A detailed discussion of restructuring charges is provided in Note 5 of the Notes to Consolidated Financial Statements.

In 2003, the Company recorded $8.8 million of asset impairments and other charges, which consisted of $3.6 million in asset impairments related to a write-down of the value of its public payphone assets to fair value and a $5.2 million charge in 2003 as a result of a settlement reached with a customer related to a contract dispute. Based on certain indicators, including a potential asset sale, the Company performed an impairment analysis of the assets of its Broadband segment in the fourth quarter of 2002. The Company's impairment analysis indicated the carrying value of the assets was not recoverable. Accordingly, the Company wrote down the assets to estimated fair market value, resulting in a non-cash impairment charge of $2.2 billion. Refer to Note 1 of the Notes to Consolidated Financial Statements.

Also included in the Company's operating income in 2003 was a $336.7 million gain related to the sale of broadband assets. Refer to Note 2 of the Notes to Consolidated Financial Statements.

Operating income increased by $2,777.5 million to $684.0 million in 2003 compared to an operating loss of $2,093.5 million in 2002. The increase was principally due to reduced expenses as a result of the sale of the broadband assets and the related gain, in addition to the asset impairment charge in 2002 of $2,200.0 million related to the Broadband segment.

Minority interest expense of $42.2 million and $57.6 million in 2003 and 2002, respectively, includes the accrual of dividends and accretion on the 12½% Junior Exchangeable Preferred Stock of BRCOM (the "12½% Preferreds") and the 19.9% minority interest of AT&T Wireless Services Inc. ("AWE") in the net income of CBW. Although the Company announced the deferral of the August 15, 2002, November 15, 2002, February 15, 2003, May 15, 2003, and August 15, 2003 cash dividend payment on the 12½% Preferreds, the Company continued to accrue the dividends in accordance with the terms of the security. On September 8, 2003 the Company completed the exchange of all of the 12½% Preferreds for approximately 14.1 million shares of Cincinnati Bell Inc. common stock. As a result of this exchange, minority interest expense in 2003 decreased $13.8 million compared to 2002, to $32.0 million. Under the terms of the exchange, holders of the 12½% Preferreds were not paid any accumulated or unpaid dividends. A detailed discussion of minority interest is provided in Note 9 of the Notes to Consolidated Financial Statements.

Interest expense and other financing costs of $234.2 million in 2003 increased $70.0 million, or 43%, compared to $164.2 million in 2002. The increase is the result of the issuance of the 16% notes, the increase in the interest rate on the convertible subordinated notes in March 2003, the issuance of the 7¼% Senior notes due 2013 in July 2003, the $16.4 million write-off of deferred financing costs related to the prepayment and amendments of the Company's credit facilities, and an increase in the interest rate on the Company's credit facilities. These increases were partially offset by a decline in interest expense on the Company's credit facilities resulting from the significant reduction in outstanding borrowings under these facilities. A detailed discussion of indebtedness is presented in Note 7 of the Notes to Consolidated Financial Statements.

On September 8, 2003, the Company retired the remaining $46.0 million of BRCOM 9% notes ("9% notes") and satisfied $1.6 million in accrued interest in exchange for approximately 11.1 million shares of common stock of the Company, which had a fair value of $65.0 million at the exchange date. As a result, the Company recorded a loss on extinguishment of debt, in other non-operating expense, of $17.4 million during the third quarter of 2003.

On November 19, 2003, the Company purchased all of the outstanding Convertible Subordinated Notes due 2009, which bore interest at a rate of 9%, at a discounted price equal to 97% of their accreted value. As a result, the Company recorded other non-operating income of $16.2 million from the extinguishment of debt.

In the fourth quarter of 2003, the Company recorded a gain of $10.0 million in other non-operating income from the modification of a capital lease at the Company's headquarters. This modification required the lease to be reclassified from a capital lease to an operating lease. The gain primarily represents the difference between the carrying value of the capital lease assets and the related lease obligation at the date of modification. The Company recorded a $10.7 million non-cash loss on investments in 2002 due to an other than temporary decline in value of one of the Company's cost-based investments.

The Company reported an income tax benefit of $828.8 million in 2003. This compares to an expense of $123.7 million reported in 2002. The income tax benefit recorded in 2003 relates substantially to the reversal of a previously recorded deferred tax valuation allowance due to the uncertainties surrounding the liquidity of the Company's subsidiary, BRCOM Inc. In the fourth quarter of 2003, the Company reversed $823.0 million of the valuation allowance as the uncertainties surrounding BRCOM's liquidity were substantially mitigated. In 2002, the Company had income tax expense of $123.7 million, due substantially to the establishment of a valuation allowance of $1,110.7 million against certain federal and state deferred tax assets (including net operating loss carryforwards), offset substantially by the tax effect of the $2.2 billion asset impairment. The effective rate of negative (198.7%) in 2003 was 193.4 points lower than the effective rate of negative (5.3%) in the same period of 2002. The decrease in the rate was due to reversal of a previously recorded deferred tax valuation allowance. Refer to Note 13 of the Notes to Consolidated Financial Statements.

As a result of the items previously discussed, income from continuing operations before discontinued operations and cumulative effect of change in accounting principle increased $3,695.2 million in 2003 to $1,246.0 million compared to a loss of $2,449.2 million in 2002. In addition, the corresponding diluted earnings per share from continuing operations totaled $5.02 in 2003 compared to the diluted loss per share from continuing operations of $11.27 in 2002.

Substantially all of the assets of Cincinnati Bell Directory ("CBD") were sold on March 8, 2002 for $345.0 million cash and a 2.5% equity interest in the newly formed company. Income from discontinued operations totaled zero in 2003 compared to $217.6 million in 2002. The net gain from the sale of substantially all of the assets of CBD of $211.8 million was recorded in 2002 and the remaining income was related to the operations of CBD from January 1 through March 8, 2002. A detailed discussion of discontinued operations is provided in Note 16 of the Notes to Consolidated Financial Statements.

Effective January 1, 2003, the Company recorded a benefit of $85.9 million as a cumulative effect of a change in accounting principle, net of taxes, related to the adoption of SFAS 143. The benefit principally related to the estimated telephone plant removal costs previously included in accumulated depreciation, which were reversed. Refer to Note 1 of the Notes to Consolidated Financial Statements for a detailed discussion of the adoption of SFAS 143.

Effective January 1, 2002, the Company recorded a $2,008.7 million charge as a cumulative effect of a change in accounting principle, net of taxes, related to the adoption of SFAS 142. The write-down of goodwill, finalized in the second quarter of 2002, was related to the fair value of goodwill associated with the broadband business acquired in 1999. See Note 4 of the Notes to Consolidated Financial Statements for a detailed discussion of the adoption of SFAS 142.

Discussion of Operating Segment Results

The Company realigned its business segments during the first quarter of 2004. CBTS, a data equipment and managed services subsidiary, was previously reported in the Broadband segment and is now reported in the Hardware and Managed Services segment. Additionally, the sale of telephony equipment of Cincinnati Bell Telephone ("CBT") and its associated installation and maintenance business, previously reported in the Local segment, is now included in the Hardware and Managed Services segment. Accordingly, the historical results of operations of the Local, Hardware and Managed Services and Broadband segments have been recast to reflect the current segment reporting. As of January 1, 2002, the high-speed digital subscriber lines ("DSL") and dial-up Internet operations of ZoomTown, formerly reported in the Other segment, were merged with the operations of CBT and are reflected in the Local segment in all periods presented.

Local

The Local segment provides local voice telephone service, including enhanced custom calling features, and data services, which include dedicated network access, Gigabit Ethernet ("Gig-E") and Asynchronous Transfer Mode ("ATM") based data transport, and DSL and dial-up Internet access, to customers in southwestern Ohio, northern Kentucky and southeastern Indiana. These services are provided primarily by CBT. CBT's traditional operating market has consisted of approximately 2,400 square miles located within an approximate 25-mile radius of Cincinnati, Ohio. CBT's network includes 643 Synchronous Optical Network ("SONET") rings and 2,154 fiber network miles, has full digital switching capability and can provide data transmission services to up to 89% of its residential households via DSL.

During 2004, the Local segment also extended its geographic service area by offering local voice services within the 700 square mile market surrounding Dayton, Ohio through Cincinnati Bell Extended Territories ("CBET"), which operates as a competitive local exchange carrier ("CLEC"). In the greater Dayton market the Local segment provides service on its own network and by purchasing Unbundled Network Elements ("UNE-L's or loop") or UNE-platform ("UNE-P or platform") from the incumbent local carrier. The Local segment also operates outside of its traditional ILEC territory in communities which lie contiguous to it. The Local segment provides service either completely on its own network or through UNE-L to 25% of its customer base which resides outside of its traditional ILEC territory. The Local segment links its Cincinnati and Dayton geographies through its fiber networks, which provides route diversity via two separate routes.

(dollars in millions)	2004	2003	$ Change 2004 vs. 2003	% Change 2004 vs. 2003	2002	$ Change 2003 vs. 2002	% Change 2003 vs. 2002
Revenue							
Voice	$519.8	$536.6	$(16.8)	(3)%	$548.7	$(12.1)	(2)%
Data	203.9	196.3	7.6	4%	191.0	5.3	3%
Other services	38.0	41.6	(3.6)	(9)%	42.0	(0.4)	(1)%
Total revenue	761.7	774.5	(12.8)	(2)%	781.7	(7.2)	(1)%
Operating costs and expenses:							
Cost of services and products	220.2	232.2	(12.0)	(5)%	227.1	5.1	2%
Selling, general and administrative	134.8	128.8	6.0	5%	135.3	(6.5)	(5)%
Depreciation	117.2	125.7	(8.5)	(7)%	146.7	(21.0)	(14)%
Restructuring	10.4	4.5	5.9	n/m	(0.5)	5.0	n/m
Asset impairments and other charges	—	0.6	(0.6)	n/m	0.3	0.3	100%
Total operating costs and expenses	482.6	491.8	(9.2)	(2)%	508.9	(17.1)	(3)%
Operating income	$279.1	$282.7	$ (3.6)	(1)%	$272.8	$ 9.9	4%
Operating margin	36.6%	36.5%		0 pts	34.9%		+2 pts

2004 Compared to 2003

Local service revenue of $761.7 million during 2004 decreased 2%, or $12.8 million, compared to 2003. Revenue declines related to access line losses were partially offset by DSL revenue growth.

Voice revenue, which includes local service, switched access, information services and value-added services revenues, of $519.8 million in 2004 decreased 3%, or $16.8 million, compared to 2003. Local service revenue declined $11.9 million as a result of both fewer access lines in service, which declined 1.6% from 986,000 at December 31, 2003 to 970,000 at December 31, 2004, and a 1% lower average revenue per line. The lower average revenue per line is the result of selected price discounts to enterprise customers and certain rate plans related to the service launch in Dayton, Ohio.

Access lines within the segment's ILEC territory decreased 37,000, or 3.8%, from 977,000 to 940,000. The majority of this decrease is a 21,000 decrease in primary residential access lines, which the Company believes is primary due to customers electing to use wireless communication ("wireless substitution") in lieu of the traditional local service. In March 2004, the Company expanded its product suite in Dayton, Ohio and began to mass market voice services to residential and small business customers. This helped to increase CLEC access lines by 21,000 lines during 2004, bringing total access lines outside its ILEC service territory to 30,000, which is 3% of its total access lines at December 31, 2004.

Voice revenues also declined $3.1 million as a result of decreases in trunking revenue and $1.4 million as a result of decreases in Value Added Services revenue due to price decreases to consumers and small businesses provided within the Company's "Super Bundle", Custom Connections℠.

Data revenue consists of data transport, high-speed Internet access (including DSL), dial-up Internet access, digital trunking and Local Area Network ("LAN") interconnection services. Revenue in 2004 was $203.9 million, representing a $7.6 million, or 4%, increase compared to 2003. Internet-based revenue, high-speed DSL and dial-up access increased $11.0 million in 2004 primarily driven by a 31,000 increase in DSL subscribers, which were 131,000 at December 31, 2004. As of December 31, 2004, 89% of CBT's access lines in its incumbent local exchange operating territory were loop-enabled for DSL transport with a penetration of approximately 16.7% of total access lines, up from 12.6% at December 31, 2003. Other high speed/high capacity data services such as transport, digital trunking, LAN and customized services revenue decreased $2.5 million in 2004 as a result of both competitive pressures and regulatory-mandated price decreases for wholesale services sold to other telecommunications providers.

The Company believes that its rate of access line loss would have been greater and its increase in DSL subscribers would have been less without the success of its "Super Bundle", Custom Connections^{SM}. The Company added 52,000 new, Super Bundle subscribers in 2004, to reach a total of 123,000, a 73% increase compared to December 31, 2003. At December 31, 2004, 20% of CBT's primary residential, ILEC access lines were in a Super Bundle. Also, as a result of its success, the Local segment in-territory revenue per consumer household (local revenue divided by average primary access lines) increased by $0.9, 2%, to $47.49 in 2004 compared to $46.61 in 2003.

Other services revenue of $38.0 million during 2004 decreased $3.6 million compared to 2003, primarily as a result of a decrease in wiring revenue.

Costs and Expenses

Cost of services and products decreased $12.0 million, or 5%, to $220.2 million in 2004 compared to 2003. The decrease was primarily due to a decline in operating taxes of approximately $7.4 million, of which $6.8 million relates to a change in Ohio law. CBT is no longer subject to franchise taxes based on gross receipts, but instead is subject to state and local income tax and is included in the combined Ohio state income tax return with other Cincinnati Bell operating companies. Additionally, cost of goods sold and material costs declined $1.6 million during 2004 related to lower material costs associated with the decrease in wiring revenue compared to 2003.

SG&A expenses increased 5%, or $6.0 million, to $134.8 million in 2004. This increase was due to an additional $4.2 million of advertising and promotional expense related to a 25% increase in DSL gross additions and a 26,000 gross addition in Dayton local customer additions.

Total labor and related expense decreased $2.5 million, or 1%, as compared to 2003 primarily as a result of a $2.4 million curtailment charge in 2003 related to the sale of substantially all of the broadband assets. A 2% reduction in CBT's headcount also helped to keep labor costs otherwise relatively flat.

Depreciation expense of $117.2 million decreased $8.5 million, or 7%, in 2004 compared to 2003, due to a decrease in depreciable assets and reduced capital spending.

Restructuring charges during 2004 of $10.4 million were $5.9 million higher than 2003. For further description and purpose of these restructuring charges, please refer to Note 5 of the Notes to Consolidated Financial Statements.

Operating Income

As a result of the above, operating income decreased $3.6 million, or 1%, to $279.1 million and operating margin remained nearly flat in 2004 compared to 2003.

2003 Compared to 2002

Revenue

Voice revenue, which includes local service, switched access, information services and value-added services revenues, of $536.6 million during 2003 decreased 2%, or $12.1 million, in comparison to the prior year. Voice revenue decreased primarily due to an $8.3 million decrease in local services revenue where access lines decreased 2.6% from 1,012,000 lines in service at December 31, 2002 to 986,000 as of December 31, 2003. Decreases in trunking of $3.5 million, switched access of $2.3 million and information services of $1.7 million also contributed to the voice revenue decline.

A $2.7 million increase in value added service revenue partially offset the aforementioned declines in voice revenue as the Company's Complete Connections® bundled services offering added 23,600 subscribers during 2003, bringing total subscribership to 312,500 and penetration of residential access lines to 44%.

In the first quarter of 2003, CBT also introduced Custom Connections℠, a bundled suite of services that leverages the Company's local, long distance, wireless and DSL products and enables consumers to customize packages that meet their personal communication needs. Custom Connections℠ added 54,700 subscribers in 2003. The favorable bundled pricing associated with Custom Connections℠ has driven increased demand for the Company's ZoomTown DSL offering, which added 25,000 customers in 2003, growth of 33% from December 31, 2002, and has been a key driver behind the increase in revenue per household to $46.61 in 2003 compared to $45.04 in 2002. As a result of this growth, total lines to the consumer (defined as consumer access lines plus DSL subscribers) increased slightly on a year-over-year basis. As of December 31, 2003, 86% of CBT's access lines were loop-enabled for DSL transport with a penetration of approximately 12.6% of these addressable network access lines, up from 9.3% at December 31, 2002.

As result of the Company's increase in DSL penetration, internet services revenues increased $8.6 million. Consequently, data revenue, which consists of data transport, high-speed Internet access (including DSL), dial-up Internet access, digital trunking and LAN interconnection services increased by $5.3 million to $196.3 million, a 3% increase, compared to 2002. A $3.7 million decrease in data transport revenue, largely a result of Federal Communications Commission ("FCC") mandated special access price reductions set equal to inflation, net of a 6.5% productivity offset, partially offset the internet services revenue increase.

Other services revenue of $41.6 million during 2003 decreased $0.4 million, or 1%, compared to 2002.

Costs and Expenses

Cost of services and products increased $5.1 million, or 2%, to $232.2 million in 2003 compared to 2002. The increase was primarily due to an increase in employee expenses of $5.0 million. The increase in employee expenses was a net result of a 7% reduction in headcount offset by normal wage increases and an increase in actuarially determined employee benefit expenses.

SG&A expenses decreased 5%, or $6.5 million, in 2003 compared to 2002, as the Local segment experienced decreases in bad debt, advertising, promotional and contract services expenses. These expense reductions were partially offset by higher payroll and related expenses of $1.9 million, which was the net effect of a reduction in headcount, offset by normal wage increases and higher benefits expense.

Depreciation expense of $125.7 million decreased $21.0 million, or 14%, in 2003 compared to 2002. A decrease in depreciable assets, reduced capital spending, regulatory depreciation rate decreases and the adoption of SFAS 143 on January 1, 2003 (refer to Note 1 of the Notes to Consolidated Financial Statements) contributed to the reduction in depreciation expense.

Restructuring charges of $4.5 million during 2003 were $5.0 million higher than the $0.5 million in restructuring credits in 2002. In December 2003, the Company initiated a restructuring plan to reduce future cash operating costs by approximately $9.1 million. The Local segment's charge was $4.5 million related to employee separation benefits associated with the elimination of approximately 90 positions.

Operating Income

As a result of the above, operating income increased by $9.9 million, or 4%, to $282.7 million in 2003 compared to $272.8 million in 2002. Operating margin showed similar improvements, increasing approximately two points from a margin of 34.9% in 2002 to a margin of 36.5% in 2003.

Wireless

The Wireless segment provides advanced digital, voice and data communications services through the operation of a regional wireless network in a licensed service territory which surrounds Cincinnati and Dayton, Ohio including areas of northern Kentucky and southeastern Indiana. The segment offers service outside of its regional operating territory through wholesale, re-sale arrangements ("roaming agreements") with other wireless operators. The segment also sells related telecommunications equipment, wireless handset devices and related accessories to support its service business.

The wireless segment consists of Cincinnati Bell Wireless LLC ("CBW"), a joint venture with Cingular Wireless Corporation ("Cingular"), through its recently acquired subsidiary AT&T PCS LLC ("AWE"). The Company owns 80.1% of CBW while Cingular owns the remaining 19.9%.

Since October 2003, CBW has deployed service on both Time Division Multiple Access ("TDMA") and Global System for Mobile Communications and General Packet Radio Service ("GSM/GPRS") technologies. TDMA is CBW's legacy technology and provides both voice and short message service ("SMS") data services. GSM/GPRS technology, to which CBW plans to migrate its subscriber base, provides, in addition to voice communication and SMS, enhanced wireless data communication services, such as mobile web browsing, internet access, email and picture messaging. The GSM/GPRS is EDGE compatible, requiring only software upgrades to deliver higher speeds of data transmission and capacity. Based on current estimates, the Company expects that it will operate its TDMA network at least through December 31, 2006.

(dollars in millions, except for operating metrics)	2004	2003	$ Change 2004 vs. 2003	% Change 2004 vs. 2003	2002	$ Change 2003 vs. 2002	% Change 2003 vs. 2002
Revenue							
Service	$242.0	$246.4	$ (4.4)	(2)%	$253.3	$ (6.9)	(3)%
Equipment	19.7	13.1	6.6	50%	13.9	(0.8)	(6)%
Total revenue	261.7	259.5	2.2	1%	267.2	(7.7)	(3)%
Operating Costs and Expenses:							
Cost of services and products	133.2	110.5	22.7	21%	119.5	(9.0)	(8)%
Selling, general and administrative	56.5	50.0	6.5	13%	47.3	2.7	6%
Depreciation	58.3	38.3	20.0	52%	30.6	7.7	25%
Amortization	9.1	0.5	8.6	n/m	0.7	(0.2)	(29)%
Restructuring	0.1	—	0.1	n/m	—	—	n/m
Asset impairments and other charges	5.9	—	5.9	n/m	—	—	n/m
Total operating costs and expenses	263.1	199.3	63.8	32%	198.1	1.2	1%
Operating income (loss)	$ (1.4)	$ 60.2	$(61.6)	n/m	$ 69.1	$ (8.9)	(13)%
Operating margin	(0.5)%	23.2%		(24) pts	25.9%		(3) pts
Operating metrics							
Postpaid ARPU*	$54.43	$55.98	$(1.55)	(3)%	$58.75	$(2.77)	(5)%
Prepaid ARPU*	$19.85	$19.24	$ 0.61	3%	$18.32	$ 0.92	5%

* 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. For a given period, the average subscriber base is calculated by adding subscribers at the beginning of the period to subscribers at the end of the period and dividing the sum by two.

2004 Compared to 2003

Revenue

Wireless segment revenue increased $2.2 million, or 1%, to $261.7 million during 2004 compared to 2003. Equipment revenue increased $6.6 million in 2004 primarily due to a 27% increase in new service activations and 17% of CBW's existing TDMA customers purchasing new handsets to switch their service to the its Company's new GSM service. This increase in equipment revenue offset a $3.6 million decrease in roaming revenue and a $0.8 million decrease in CBW subscriber service revenue.

CBW's roaming revenue declined primarily as a result of a 20% decrease in average revenue per roaming minute as a greater amount of AWE roaming traffic was lower priced GSM minutes than in 2003. Total roaming revenue equaled $13.0 million in 2004. As a result of the Cingular Merger, CBW expects to lose substantially all of its roaming revenue in 2005 as AWE customers begin roaming on Cingular's network versus CBW's network. As a part of CBW's Agreement with Cingular, CBW expects that it will substantially offset the effect of this lost roaming revenue through a rate reduction on the cost of its roaming minutes that it will purchase from Cingular.

Subscriber service revenue declined $0.8 million as a result of a $3.8 million postpaid service revenue decrease more than offsetting a $3.0 million increase in prepaid service revenue. Postpaid revenue decreased as a result of a 5,600 decrease in subscribers, driven primarily by an average monthly customer churn which increased to 2.55% in 2004 compared to 1.81% in 2003, and a $0.50 decrease in postpaid ARPU, excluding roaming revenue, from $51.42 in 2003 to $50.92, which is in part the result of customer migrations to lower priced GSM rate plans. The Company believes that the increase in postpaid churn during the year is the result of a combination of factors most notably network quality issues created by CBW's network migration. The Company expects to resolve these quality issues during 2005, thus enabling churn levels to trend back to more historic levels. At December 31, 2004 CBW had 306,300 postpaid subscribers.

Prepaid service revenue increases were largely the result of increased subscribers. As of December 31, 2004 prepaid subscribers totaled approximately 174,700, a 12,200 increase over December 31, 2003. Likely a result of both the aforementioned network quality issues as well as unmeasured TDMA customer migrations to the new GSM network, average monthly, prepaid customer churn increased to 6.13% in 2004 compared to 4.95% in 2003. Total wireless subscribers at December 31, 2004 were approximately 481,000, or 14%, of the population in CBW's licensed operating territory.

Data revenue of $14.7 million increased $5.6 million, or 62%, from $9.1 million as compared to 2003. Data revenue is 6% of total revenue.

As mandated by the FCC, wireless local number portability ("WLNP") was effective November 24, 2003 and allows customers the ability to change service providers within the same local area and retain the same phone number. WLNP did not have any significant impact in 2004.

Costs and Expenses

Cost of services and products consists largely of the costs of equipment sales to both new and existing subscribers, CBW's network operation costs, the cost to purchase wholesale roaming minutes on other carriers' networks ("incollect expense"), operating taxes and customer service expenses. These costs and expenses increased $22.7 million, or 21%, to $133.2 million in 2004 compared to the prior year. The increase was due largely to an $18.0 million increase of costs associated with increased handset subsidies, which supported both a 27% increase in new gross customer additions as well as the migration of 17% of the Company's legacy TDMA customers to its new GSM network.

In the fourth quarter of 2004, CBW recorded a $3.2 million adjustment related to prior periods to account for certain rent escalations associated with its tower site leases on a straight-line basis. These rent escalations are associated with lease renewal options that were deemed to be reasonably assured of renewal, thereby extending the initial term of the leases. The adjustment was not considered material to the current year or to any prior years' earnings, earnings trends or individual financial statement line items. Additionally, customer service expense increased $2.4 million as a result of increased customer contacts, driven by the GSM migration and quality issues, which was offset by a decrease in incollect expense of $4.7 million. Lower incollect expense was the result of a 20% decrease in the average cost per roaming minute of which a greater percentage were on lower priced GSM network.

SG&A expenses of $56.5 million increased by $6.5 million, or 13%, in 2004, primarily as a result of a $3.3 million increase in advertising and promotional expense to support the 27% increase in new customer gross additions.

Depreciation expense of $58.3 million increased $20.0 million in 2004 compared to 2003. The increase was a result of $20.6 million in additional depreciation related to the change in estimated economic useful life of the TDMA network to December 31, 2006.

Amortization expense of $9.1 million increased $8.6 million in 2004 compared to 2003. The increase was a result of $7.4 million in accelerated amortization related to the shortened, estimated economic useful lives of certain AWE roaming and trade name agreements, as a result of the merger between Cingular Wireless and AWE, consummated on October 26, 2004.

Asset impairment charges of $5.9 million in 2004 were comprised of $3.5 million recorded to write-down certain TDMA assets, which CBW removed from service, and a $2.4 million asset impairment charge related to certain intangible assets.

Operating Income (Loss)

As a result of the items discussed above, operating income decreased $61.6 million to an operating loss of $1.4 million and operating margin decreased 24 points to a negative margin of 0.5% in 2004 compared to 2003.

2003 Compared to 2002

Revenue

Wireless segment revenue decreased $7.7 million, or 3%, to $259.5 million during 2003 compared to 2002.

This revenue decline was primarily driven by postpaid services. In 2003, revenue from postpaid customers decreased $10.0 million, or 5%, to $209.3 million. Postpaid ARPU decreased from $58.75 in 2002 to $55.98 in 2003, or $2.77 per user, per month, due to pricing pressure from increasing competition and a marketing strategy employed through the first three quarters of 2003 to retain lower usage, higher margin customers. Through September 30, 2003, postpaid subscribers had declined by 12,000 compared to the December 31, 2002.

Beginning in September 2003, the Company introduced more competitive rate plans in order to reduce churn and to build momentum in front of its GSM/GPRS network launch in October 2003. In the fourth quarter of 2003, net adds totaled 13,000, which reversed a declining subscriber trend for the first three quarters of 2003 and allowed CBW to end the year with approximately the same number of postpaid subscribers as at the end of 2002, or nearly 312,000. This subscribership represents an estimated 9% penetration of the population within the Company's licensed service area in the Greater Cincinnati and Dayton, Ohio metropolitan markets. In the first three quarters of 2003, the Company also focused its marketing efforts on prepaid subscribers. These subscribers require less growth capital on the Company's TDMA network, which the Company attempted to minimize because it curtailed TDMA capital expenditures, while it completed construction of its GSM/GPRS network.

WLNP became effective during 2003, however, average monthly customer churn remained low in the face of aggressive competition and WLNP at 1.81% for postpaid subscribers in 2003 compared to 1.73% in 2002.

The postpaid revenue decline is partially offset by the prepaid product, which experienced subscriber growth in 2003 of 2% compared to subscribers as of December 31, 2002. The Company had approximately 162,000 prepaid subscribers at December 31, 2003, or nearly 3,300 more than at December 31, 2002, which represents an estimated penetration of approximately 5% of the population in the Company's licensed service area. Prepaid revenue of $37.1 million in 2003 represented growth of $3.0 million, or 9%, compared to 2002 due to increased revenue from text messaging services, which increased ARPU. ARPU for prepaid subscribers increased from $18.32 in 2002 to $19.24 in 2003, or $0.92 per user. The Company's text messaging services, comprising a growing proportion of total prepaid revenue, increased by $2.2 million versus 2002 to $6.0 million, which represents 16% of total prepaid service revenue.

Costs and Expenses

Cost of services and products consists largely of incollect expense (whereby CBW incurs costs associated with its subscribers using their handsets while in the territories of other wireless service providers), network operations costs, interconnection expenses and cost of equipment sold. These costs were $110.5 million during

2003, or 43% of revenue, compared to $119.5 million, or 45% of revenue, in 2002. In total, cost of services and products decreased $9.0 million, or 8%, during 2003 compared to 2002. These declines were due primarily to decreased incollect charges of $2.1 million related to postpaid subscribership, decreased operating taxes of $4.1 million and $4.7 million from cost reductions because the Wireless segment assumed responsibility for network management services previously outsourced to AWE.

SG&A expenses include the cost of customer acquisition, which consists primarily of advertising, distribution and promotional expenses. These expenses increased by $2.7 million in 2003 compared to 2002 due to an increase in advertising of $2.1 million and employee-related expenses of $3.5 million. These increases were partially offset by a decrease in bad debt expense of $2.7 million.

Depreciation expense of $38.3 million increased $7.7 million, or 25%, in 2003 compared to 2002 as a result of $5.2 million in accelerated depreciation related to the change in estimated economic useful life of the TDMA network to December 31, 2006.

Operating Income

As a result of the above, operating income decreased $8.9 million, or 13%, to $60.2 million and operating margin decreased approximately 3 points to 23.2% in 2003 compared to 2002.

Hardware and Managed Services

The Hardware and Managed Services segment provides data center collocation, IT consulting services, telecommunications and computer equipment in addition to their related installation and maintenance. The Hardware and Managed Services is comprised of the operations within CBTS. In March 2004, CBTS sold certain operating assets, which were generally residing outside of the Company's area for approximately $3.2 million in cash. During the second quarter of 2004, CBTS paid $1.3 million to the buyer of the assets in working capital adjustments related to the sale.

(dollars in millions)	2004	2003	$ Change 2004 vs. 2003	% Change 2004 vs. 2003	2002	$ Change 2003 vs. 2002	% Change 2003 vs. 2002
Revenue							
Hardware	$ 74.0	$ 89.6	$(15.6)	(17)%	$141.1	$(51.5)	(37)%
Managed services	60.7	73.2	(12.5)	(17)%	74.3	(1.1)	(2)%
Total revenue	134.7	162.8	(28.1)	(17)%	215.4	(52.6)	(24)%
Operating Costs and Expenses:							
Cost of services and products	104.7	121.4	(16.7)	(14)%	170.8	(49.4)	(29)%
Selling, general and administrative	16.7	24.3	(7.6)	(31)%	28.0	(3.7)	(13)%
Depreciation	1.1	0.7	0.4	57%	6.4	(5.7)	(89)%
Restructuring	0.6	—	0.6	n/m	0.1	(0.1)	(100)%
Asset impairments and other charges (gains)	(1.1)	(1.1)	—	—	19.5	(20.6)	n/m
Total operating costs and expenses	122.0	145.3	(23.3)	(16)%	224.8	(79.5)	(35)%
Operating income (loss)	$ 12.7	$ 17.5	$ (4.8)	(27)%	$ (9.4)	$ 26.9	n/m
Operating margin	9.4%	10.7%		(1) pt	(4.4%)		+15 pts

2004 Compared to 2003

Revenue

Revenue is reported in two major categories, hardware and managed services.

Hardware revenue is driven by the reselling of major manufacturers IT, data, and telephony equipment. CBTS is a reseller of and has relationships with major telecommunications and computer hardware manufacturers. In 2004, CBTS earned Cisco gold certification, joining an elite group of Cisco business partners, and allowing it to leverage the maximum level of benefits offered by the manufacturer.

Hardware revenue of $74.0 million during 2004 decreased 17%, or $15.6 million, compared to 2003. The decrease was primarily due to the sale of the assets of the out-of-territory business, offset by several large equipment sales and hardware sales including $10.1 million to customers referred by the buyer of the out-of territory assets, as a sales agent. The sale of the assets of the out-of-territory business better aligned the CBTS business model and better aligned the subsidiary with the growth strategy of its parent.

Managed services revenue consists of the sale of outsourced technology resources, leveraging assets within the Company, including but not limited to data center assets, and revenue of technical services and maintenance directly related to the sale of IT, data and telephony equipment. The CBTS business model links the capability to sell a wide range of equipment from various manufacturers along with the Company's technical and infrastructure capability to offer complete technology solutions for the small, medium, and large business customer.

In 2004, managed services revenue of $60.7 million decreased 17%, or $12.5 million, compared to 2003. The decreases were primarily due to the sale of the assets of the out-of-territory business, price reductions and customer attrition. The managed services revenues associated with the sale of assets were based on billing of non-strategic outsourced technology resources.

Costs and Expenses

Cost of services and products decreased $16.7 million, or 14%, to $104.7 million in 2004 compared to 2003. The decrease in cost of services was primarily associated with the decrease in revenue discussed above. SG&A expenses decreased 31%, or $7.6 million, to $16.7 million in 2004. The decreases were due to lower payroll and related expenses of $7.7 million driven by lower headcount as a result of the sale of the out-of-territory assets.

In conjunction with the sale of the assets of the out-of-territory business discussed above, the Hardware and Managed Services segment recorded a gain of $1.1 million during 2004.

Operating Income

As a result of the items discussed above, the Hardware and Managed Services segment's operating income decreased $4.8 million, or 27%, to $12.7 million in 2004, compared to the prior year. Additionally, operating margin decreased 1 point to 9% in 2004 compared to 2003.

2003 Compared to 2002

Revenue

Hardware revenue of $89.6 million during 2003 decreased 37%, or $51.5 million, compared to 2002 due to difficult economic conditions and decreases in capital spending by customers. Hardware revenue is volatile depending on individual customer equipment requirements, capital spending budgets, the introduction of new technologies and new telephony and data solutions.

Managed services revenue of $73.2 million during 2003 decreased 2%, or $1.1 million, compared to 2002. The decreases were primarily due to price reductions for large enterprise customers and customer attrition.

Costs and Expenses

Cost of services and products decreased $49.4 million, or 29%, to $121.4 million in 2003 compared to 2002. The decrease in cost of services was primarily associated with the decrease in revenue discussed above.

SG&A expenses decreased 13%, or $3.7 million, to $24.3 million in 2003 compared to 2002. The decrease was due primarily to lower payroll and related expenses of $3.5 million.

In the fourth quarter of 2002 the Company recorded a non-cash impairment charge of $19.5 million related to the Hardware and Managed Services segment's tangible assets (refer to Note 1 of the Notes to Consolidated Financial Statements).

Operating Income

As a result of the items discussed above, the Hardware and Managed Services segment's operating income increased $26.9 million to $17.5 million in 2003 compared to an operating loss of $9.4 million in 2002. Additionally, operating margin increased 15 points to 11% in 2003 compared to 2002.

Other

The Other segment combines the operations of Cincinnati Bell Any Distance ("CBAD"), Cincinnati Bell Complete Protection ("CBCP") and Cincinnati Bell Public Communications Inc. ("Public"). CBAD resells long distance voice services and audio-conferencing, CBCP provides security hardware and monitoring for consumers and businesses, and Public provides public payphone services. In the fourth quarter of 2004, the Company sold its payphone assets located at correctional institutions and those outside of the Company's operating area for $1.4 million.

(dollars in millions)	2004	2003	$ Change 2004 vs. 2003	% Change 2004 vs. 2003	2002	$ Change 2003 vs. 2002	% Change 2003 vs. 2002
Revenue	$78.6	$81.1	$ (2.5)	(3)%	$82.8	$(1.7)	(2)%
Operating costs and expenses:							
Cost of services and products	44.5	54.1	(9.6)	(18)%	63.4	(9.3)	(15)%
Selling, general and administrative	14.3	14.8	(0.5)	(3)%	15.8	(1.0)	(6)%
Depreciation	1.7	2.0	(0.3)	(15)%	1.8	0.2	11%
Amortization	—	0.1	(0.1)	(100)%	0.1	—	—
Asset impairments and other charges	0.1	3.6	(3.5)	(97)%	—	3.6	n/m
Total operating costs and expenses	60.6	74.6	(14.0)	(19)%	81.1	(6.5)	(8)%
Operating income	$18.0	$ 6.5	$ 11.5	n/m	$ 1.7	$ 4.8	n/m
Operating margin	22.9%	8.0%		+15 pts	2.1%		+6 pts

2004 Compared to 2003

Other segment revenue of $78.6 million in 2004 decreased $2.5 million, or 3%, compared to 2003. Decreases of $2.2 million and $1.7 million in Public and retail long distance revenue more than offset $1.3 million and $0.2 million increases in wholesale long distance and CBCP revenue. Revenue from both decreased as a result of a decline in usage. Despite an increase of 23,000 lines, to approximately 562,000 subscribed access lines as of December 31, 2004, or 4%, compared to December 31, 2003, decreases in long distance usage per line more than offset the positive revenue impact related to line growth. CBAD's Cincinnati market share for which a long distance carrier is selected was 76% in the consumer market and 48% in the business market up from 71% and 45%, respectively, compared to December 31, 2003.

Costs and Expenses

Cost of services and products totaled $44.5 million in 2004, representing a decrease of 18% compared to the prior year. This was due primarily to decreased access charges at CBAD cost of services of $10.2 million during 2004 due to a 35% lower cost per long distance minute associated with the Company's installation of long distance switching equipment in June 2004 and the negotiation of lower wholesale long distance minute costs.

SG&A expenses decreased $0.5 million, or 3%, to $14.3 million in 2004 compared to the prior year. The decrease was primarily due to decreased bad debt expense.

Operating Income

As a result of the items discussed above, the Other segment reported operating income of $18.0 million, an increase of $11.5 million in 2004 compared to 2003. Operating margin showed similar improvements, increasing fifteen points from a margin of 8% in 2003 to 23% in 2004.

2003 Compared to 2002

Revenue

Other segment revenue of $81.1 million in 2003 decreased $1.7 million, or 2%, compared to 2002.

CBAD's revenue declined $0.6 million, or 1%, in 2003 as price increases initiated in 2003 on its "Any Distance" long distance service offering were more than offset by a 10% decline in minutes of use in response to intense competition, including further penetration of wireless plans with free long distance. CBAD had 539,000 subscribed access lines as of December 31, 2003 in the Cincinnati and Dayton, Ohio operating areas, representing a decrease of 15,800 lines, or 3%, versus December 31, 2002, which the Company believed was primarily related to its access line loss in its local businesses. In spite of subscriber line decreases, the Company's market share had increased as a function of the Local segment's lines in service for which a long distance carrier had been chosen for residential and business access lines. CBAD's residential and business market share increased in 2003 to approximately 71% and 45%, respectively, from 69% and 43%, respectively at the end of 2002. Public revenue declined $1.1 million, or 8%, compared to 2002 in response to further penetration of wireless communications offset partially by a favorable $0.4 million settlement with a major interexchange carrier.

Costs and Expenses

Cost of services and products totaled $54.1 million in 2003, representing a decrease of 15% compared to 2002. The decrease in cost of services was due primarily to decreased access charges at CBAD of $4.2 million as minutes of use declined. In 2003, CBAD purchased its wholesale minutes from the buyer of the broadband assets, based on an agreement signed in conjunction with the asset sale. Public also contributed decreases of $4.2 million in 2003, as a result of a favorable settlement with a major interexchange carrier and removal of unprofitable stations.

SG&A expenses decreased $1.0 million, or 6%, in 2003 compared to 2002. These decreases were incurred primarily at CBAD as a result of a decrease in payroll and related expenses partially offset by an increase in billing and collection expenses.

Public incurred a $3.6 million asset impairment in 2003 to write-down the value of its public payphone assets to fair value.

Operating Income

As a result of the items discussed above, the Other segment reported operating income of $6.5 million in 2003, an increase of $4.8 million compared to 2002. Operating margin showed similar improvements, increasing six points from a margin of 2% in 2002 to 8% in 2003.

Broadband

During the second and third quarters of 2003, the Company completed the sale of substantially all of its broadband assets (Refer to Note 2 of Notes to the Consolidated Financial Statements). Subsequent to the sale, the Company retained certain obligations. During 2004, the Company extinguished approximately $38.1 million of obligations related to the Broadband segment.

Subsequent to the closing of the asset sale, the Broadband segment now consists of retained liabilities not transferred to the buyer. Prior to the sale of the broadband assets, revenue for the Broadband segment was generated from broadband transport (which included revenue from IRU's), switched voice services, data and Internet services (including data collocation and managed services) and other services. These transport and switched voice services were generally provided over the Broadband segment's national optical network, which comprised approximately 18,700 route miles of fiber-optic transmission facilities.

(dollars in millions)	2004	2003	$ Change 2004 vs. 2003	% Change 2004 vs. 2003	2002	$ Change 2003 vs. 2002	% Change 2003 vs. 2002
Revenue							
Broadband transport	$ —	159.3	$(159.3)	(100)%	$ 461.6	(302.3)	(66)%
Switched voice services	—	111.9	(111.9)	(100)%	335.9	(224.0)	(67)%
Data and Internet	—	59.5	(59.5)	(100)%	112.6	(53.1)	(47)%
Network construction and other services	—	1.7	(1.7)	(100)%	1.3	0.4	31%
Total revenue	—	332.4	(332.4)	(100)%	911.4	(579.0)	(64)%
Costs, expenses, gains and losses:							
Cost of services and products	—	202.8	(202.8)	(100)%	519.4	(316.6)	(61)%
Selling, general and administrative	(3.7)	125.2	(128.9)	n/m	284.5	(159.3)	(56)%
Depreciation	—	1.9	(1.9)	(100)%	284.7	(282.8)	(99)%
Amortization	—	—	—	n/m	24.8	(24.8)	(100)%
Restructuring	(1.8)	(11.1)	9.3	84%	32.5	(43.6)	n/m
Asset impairments and other charges	(1.5)	5.8	(7.3)	n/m	2,181.2	(2,175.4)	(100)%
Gain on sale of broadband assets	(3.7)	(336.7)	333.0	99%	—	(336.7)	n/m
Total costs, expenses, gains and losses	(10.7)	(12.1)	1.4	12%	3,327.1	(3,339.2)	(100)%
Operating income (loss)	$ 10.7	$ 344.5	$(333.8)	(97)%	$(2,415.7)	2,760.2	n/m
Operating margin	n/m	n/m		n/m	n/m		n/m

2004 Compared to 2003

Revenue

Broadband segment revenue decreased 100% in 2004 compared to 2003 due to the sale of substantially all of the Company's broadband assets.

Costs and Expenses

Cost of services and products in 2003 primarily reflects access charges paid to local exchange carriers and other providers, transmission lease payments to other carriers and costs incurred for network construction projects. In 2004, cost of services and products amounted to zero, compared to $202.8 million incurred during 2003, due to the sale of substantially all of the Company's broadband assets.

During 2004, SG&A expenses primarily consisted of the reversal of certain operating tax reserves totaling $3.5 million. SG&A expenses decreased due to reversals of $3.7 million in 2004 from an expense of $125.2 million in 2003 due to the sale of substantially all of the Company's broadband assets.

During 2004, the Broadband segment recorded a restructuring credit of $1.8 million due to a change in estimate related to the termination of contractual obligations. The restructuring credit was offset by a corporate restructuring adjustment of $2.0 million. Refer to Note 5 of the Notes to Consolidated Financial Statements.

The Broadband segment recorded a gain of $1.5 million in 2004 related to the sale of assets previously written off.

The gain on sale of $3.7 million recorded in 2004 was due to the expiration of certain indemnities to the buyer. Refer to Note 10 of the Notes to Consolidated Financial Statements.

2003 Compared to 2002

Revenue

Broadband segment revenue decreased significantly in 2003 due to the sale of substantially all of the Company's broadband assets on June 13, 2003. Prior to the aforementioned sale of the broadband assets, the Broadband segment had revenue from broadband transport, voice long distance and other data and Internet products and services such as ATM/frame relay and dedicated and dial-up IP. As a result, all of the year-to-date variances discussed below were affected by the disposition of these assets, as 2002 amounts included a full year of revenue related to these products and services. Variances were also affected by other external factors, which are mentioned specifically below.

Broadband transport revenue was $159.3 million in 2003, or $302.3 million lower than in 2002, due to the sale and lower demand for dedicated optical and digital circuits from both established and emerging carriers. In addition, as a result of an IRU contract termination in 2002, $58.7 million of non-cash revenue was recognized in broadband transport revenue in 2002, which did not recur in 2003. Switched voice services revenue of $111.9 million in 2003 was $224.0 million lower than 2002, due to the sale and the Company's exit of the international switched wholesale voice business as part of its October 2002 restructuring.

Data and Internet revenue decreased $53.1 million, or 47%, in 2003 compared to 2002. These decreases were partially due to an anticipated decline in revenue related to the exit of the bundled Internet access services. Refer to Note 5 of the Notes to Consolidated Financial Statements. The remaining decrease was due to the sale of the underlying assets of the data and internet products in connection with the sale of the broadband assets on June 13, 2003.

Costs and Expenses

Cost of services and products primarily reflected access charges paid to local exchange carriers and other providers, transmission lease payments to other carriers, costs incurred for network construction projects and personnel and hardware costs for IT consulting. Cost of services and products decreased $316.6 million compared to 2002. The majority of the decreases were the result of the sale of substantially all of the broadband assets. The remaining decreases were driven primarily by lower broadband transport and switched voice services and include cost reductions implemented as part of the October 2002 restructuring plan. In addition, a charge of $13.3 million in construction contract termination costs was recorded in 2002 and not repeated in 2003. The decreases were also partially offset by an increase in local access charges associated with the Company's continued penetration of enterprise customer accounts.

SG&A expenses decreased 56% to $125.2 million in 2003 compared to 2002 due primarily to the sale of substantially all of the broadband assets. Additionally, the decrease was attributable to lower transmission operating expenses of $26.4 million, lower property taxes of $14.0 million and lower bad debt expense of $10.9 million. These decreases were partially offset by an increase in contract services related to outsourcing of certain invoice processing of $5.8 million, an increase in pension expense and a decrease in capitalized overhead costs associated with the completion of the national optical network of $7.5 million. Legal and other expenses associated with retained liabilities of the broadband business amounted to approximately $7.9 million in second half of 2003.

Depreciation expense had been effectively eliminated, dropping 99% to $1.9 million in 2003 compared to 2002. The decrease was due to a non-cash impairment charge of $2,181.2 million in the fourth quarter of 2002 related to the Broadband segment's tangible and intangible assets (refer to Note 1 of the Notes to Consolidated Financial Statements). Additionally, due to the definitive agreement to sell substantially all of the assets of the Broadband segment, the Broadband assets were classified as held for sale as of March 1, 2003 and the Broadband segment ceased depreciating the assets held for sale in accordance with SFAS 144 (refer to Note 2 of the Notes to Consolidated Financial Statements).

Amortization expense, which related to intangible assets acquired as part of the purchase of the broadband business in 1999, decreased to zero in 2003, versus $24.8 million in the prior year. This was due to the write-down of $298.3 million of intangible assets in the fourth quarter of 2002 as part of the $2,181.2 million non-cash asset impairment charge recorded by the Broadband segment as discussed in Note 1 of the Notes to Consolidated Financial Statements.

Restructuring charges during 2003 were $43.6 million lower than in 2002. Restructuring charges in 2003 consist of an $11.1 million reversal of previously recorded restructuring charges due to settlements related to contract terminations and a reversal due to a change in estimate related to terminations of contractual obligations. The $32.5 million of restructuring charges in 2002 was comprised of $15.9 million recorded in the first quarter of 2002 for employee termination benefits and the termination of a contractual commitment with a vendor related to the November 2001 restructuring, $5.5 million recorded in the third quarter of 2002 primarily for restructuring charges associated with the exit of bundled Internet access services and $12.8 million during the fourth quarter of 2002 for employee severance and contract termination costs. Refer to Note 5 of the Notes to Consolidated Financial Statements.

In February 2004, the Company settled an arbitration proceeding between a customer and the Company's subsidiary Broadwing Communications Services Inc. ("BCSI") regarding a broadband network construction contract entered into in 2000. As part of the settlement, both parties agreed to drop their respective claims for monetary damages. In 2003, the Company recorded a $5.2 million charge in "Asset impairments and other charges" as a result of this settlement.

In conjunction with the sale of substantially all of the broadband assets, the Broadband segment recorded a gain of $336.7 million during 2003. A detailed discussion of the sale of the broadband assets is provided in Note 2 of the Notes to Consolidated Financial Statements.

Operating Income

As a result of the above discussed items, operating income in 2003 increased by $2,760.2 million compared to 2002, from a loss of $2,415.7 million in 2002 to operating income of $344.5 million in 2003.

Financial Condition, Liquidity, and Capital Resources

Capital Investment, Resources and Liquidity

As the Company's businesses mature, investments in its local, wireless, and DSL networks will be focused on maintenance, strategic expansion, incremental revenue-generating penetration of these services with the bundle, cost and productivity improvements and technology enhancement initiatives undertaken to add and retain customers on the Company's networks.

Background

As of December 31, 2004, the Company had $2,141.2 million of outstanding indebtedness (net of unamortized discount) and an accumulated deficit of $3,540.0 million.

In November of 1999, the Company acquired IXC Communications, Inc. (IXC) for approximately $3,200.0 million. IXC, subsequently renamed BRCOM (f/k/a Broadwing Communications Inc.), provided long haul voice, data, and Internet service over an 18,700 mile optic network. In connection with the acquisition, the Company assumed approximately $1,000.0 million of debt. Also in November 1999, the Company obtained credit facilities totaling $1,800.0 million from a group of lending institutions. These credit facilities were increased to $2,100.0 million in January 2001 and again to $2,300.0 million in June 2001. From the acquisition of BRCOM through June 2003, the Company used a total of approximately $2,300.0 million of both cash flow from its other businesses and borrowings under its credit facilities, to finance the buildout of BRCOM's national optical network and to meet BRCOM's other cash needs. In 2001, the business environment for BRCOM and the broader telecommunications industry deteriorated rapidly and significantly. As a result of the acquisition of BRCOM, the Company incurred substantial operating and net losses.

In response to BRCOM's deteriorating financial results and concerns over liquidity, in October 2002, the Company announced a five-point restructuring plan intended to strengthen the Company's financial position, maintain the strength and stability of its local telephone business, reduce capital expenditures at BRCOM, facilitate the evaluation of strategic alternatives related to BRCOM and reduce debt. Throughout 2003, as a result of the execution of this plan, the Company completed the sale of BRCOM's broadband business, secured additional sources of capital, amended its credit facilities and completed the exchange of debt and preferred stock at BRCOM, as further discussed below.

Broadband Asset Sale

In the second and third quarter of 2003, the Company completed the sale of substantially all of the broadband assets of BRCOM to CIII Communications LLC, for a cash purchase price of $82.7 million (net of certain post-closing adjustments).

The Company has indemnified the buyer of the broadband business against certain potential claims. In order to determine the fair value of the indemnity obligation, the Company performed a probability-weighted discounted cash flow analysis, utilizing the minimum and maximum potential claims and several scenarios within the range of possibilities. Such analysis originally resulted in an estimated fair value of the indemnity obligation of $7.8 million, which is included in other liabilities and has been reflected as a reduction of the gain on sale of broadband assets in the Consolidated Statement of Operations and Comprehensive Income (Loss) for the period ended December 31, 2003. During 2004, the Company decreased the indemnity obligation due to the expiration of the general representations and warranties and no broker warranties, and recorded $3.7 million as a gain on sale of broadband assets in the Consolidated Statement of Operations and Comprehensive Income (Loss).

Financing Transactions and Credit Facilities

In early 2005, the Company completed the first stage of a refinancing plan, the primary objective of which is to provide for financial flexibility with regard to the future extinguishment of its 16% notes. The 16% notes mature in January 2009 and are callable at 108% of their accreted value on March 26, 2006, which the Company currently estimates to be $425.6 million at that date. On February 16, 2005, as part of the refinancing plan, the Company concurrently sold $250 million aggregate principal amount of new 7% Senior Notes due 2015 and an additional $100 million aggregate principal amount of the Company's previously issued 8⅜% Notes due 2014 (collectively, the "New Bonds"). The net proceeds from the offering of the New Bonds, together with amounts under the Company's new credit facility, were used to repay all outstanding borrowings of $438.8 million and terminate the Company's prior credit facility and to pay the consent fees associated with an amendment to its 7¼% Senior notes due 2013 of $9.7 million. Additionally, the Company wrote off approximately $7.9 million in unamortized deferred financing fees associated with the prior credit facility. The New Bonds are fixed rate bonds to maturity and are not callable until February 15, 2010 and January 15, 2009, respectively.

Also as part of the refinancing plan, on February 16, 2005, the Company entered into a new $250 million revolving credit facility. The new credit facility will terminate and be payable in February 2010, except that in the event the Company does not refinance, prepay or extend the maturity date of the 16% notes within six months of their maturity date, the maturity date for the credit facility will accelerate to the date which is six months prior to the 16% notes maturity date. Borrowings under the new revolving credit facility bear interest, at the Company's election, at a rate per annum equal to (i) LIBOR plus the applicable margin, or (ii) the base rate plus the applicable margin. The applicable margin is (a) 2.00%, for LIBOR rate advances, and (b) 1.00% for base rate advances, in each case until financial statements for the first quarter of 2005 have been delivered. Thereafter, the applicable margin will be determined in accordance with a pricing grid based upon total Company leverage ratios, which ranges between 1.25% and 2.25% for LIBOR rate advances, and 0.25% and 1.25% for base rate advances. Base rate is defined as the higher of either the Bank of America, N.A. Prime Rate or the Federal Funds rate plus one-half of one percent. The Company has a right to request, but no lender is committed to provide an increase in the aggregate amount of the new credit facility, up to $500 million in incremental borrowings, which may be structured at the Company's option as term debt or revolving debt. The credit facility and the New Bonds are guaranteed by all of the Company's existing and future subsidiaries, excluding CBT, CBET, certain immaterial subsidiaries, and, as long as it is not wholly owned, CBW. The facility is also secured by certain assets and by pledges of the equity interests in the Company's subsidiaries, except for certain subsidiaries of CBT, certain immaterial subsidiaries, and CBW, as long as it is not wholly owned.

On March 26, 2003, the Company received $350.0 million of gross cash proceeds from the issuance of the 16% notes. Proceeds from the 16% notes, net of fees, were used to pay down borrowings under the Company's then existing credit facilities. Interest on the 16% notes is payable semi-annually on June 30 and December 31, whereby 12% is paid in cash and 4% is accreted on the aggregate principal amount. In addition, purchasers of the 16% notes received 17.5 million common stock warrants, each to purchase one share of Cincinnati Bell Inc. common stock at $3.00 each, which expire in March 2013. Of the total gross proceeds received, $47.5 million was allocated to the fair value of the warrants using the Black-Scholes option-pricing model and was recorded as a discount on the 16% notes which is being amortized to expense through the maturity date in January 2009. In February 2005, the indenture governing the 16% notes was amended to, among other things, eliminate the Company's restrictions relating to BRCOM, the Company's broadband subsidiaries.

On July 11, 2003, the Company issued $500.0 million of 7¼% senior unsecured notes due 2013 (the "7¼% Senior notes due 2013"). Net proceeds of $488.8 million were used to prepay term credit facilities and permanently reduce commitments under the Company's then existing revolving credit facility. Interest on the 7¼% Senior notes due 2013 is payable in cash semi-annually in arrears on January 15 and July 15 of each year. The 7¼% Senior notes due 2013 are unsecured obligations and rank equally with all of the Company's existing and future senior unsecured debt and rank senior to all existing and future subordinated debt. The Company's subsidiaries, excluding CBT, CBET and CBW, unconditionally guarantee the 7¼% Senior notes due 2013 on a senior unsecured basis. The indenture governing the 7¼% Senior notes due 2013 contains customary covenants for notes of this type, including limitations on the following: dividends and other restricted payments; dividend and other payment restrictions affecting subsidiaries; indebtedness; asset dispositions; transactions with affiliates; liens; investments; issuances and sales of capital stock of subsidiaries; redemption of debt that is junior in right of payment; issuances of senior subordinated debt; and, mergers and consolidations. In January 2005, the indenture governing the 7¼% Senior notes due 2013 (the "7¼% Indenture") was amended to, among other things, permit the Company to repurchase or redeem the 16% notes without regard to the extent of the Company's ability to make restricted payments (as defined in the 7¼% Indenture) under the restricted payments covenant of the 7¼% Indenture.

On November 19, 2003, the Company issued $540.0 million of 8⅜% Senior Subordinated Notes ("the 8⅜% notes"). The net proceeds, after deducting the initial purchasers' discounts and fees and expenses, totaled $528.2 million. The Company used the net proceeds to purchase all of the Company's then outstanding Convertible Subordinated Notes due 2009, which bore interest at a rate of 9%, at a discounted price equal to 97% of their accreted value and to reduce outstanding borrowings under the then-existing revolving credit facility.

The Company believes that its borrowing availability under the credit facilities and cash generated from operations will provide sufficient liquidity for the foreseeable future and through the due date of its 7¼% Senior notes due 2013.

The Company is subject to financial covenants in association with its new credit facility entered into in February 2005. These financial covenants require that the Company maintain certain debt to EBITDA (as defined in the credit facility agreement), senior secured debt to EBITDA, interest coverage ratios and fixed charge ratio. The facilities also contain certain covenants which, among other things, may restrict the Company's ability to incur additional debt or liens, pay dividends, repurchase Company common stock, sell, transfer, lease, or dispose of assets and make investments or merge with another company. If the Company were to violate any of its covenants and was unable to obtain a waiver, it would be considered a default. If the Company were in default under its credit facilities, no additional borrowings under the credit facilities would be available until the default was waived or cured.

Voluntary prepayments of borrowings under the credit facilities and voluntary reductions of the unutilized parts of the credit facilities' commitments are, subject to proper notice, permitted at any time. The Company expects to use cash flows generated by its operations and in excess of investing activities, to reduce outstanding indebtedness.

Contractual Obligations

The following table summarizes the Company's contractual obligations as of December 31, 2004:

(dollars in millions)	Payments Due by Period				
	Total	< 1 Year	1–3 Years	4–5 Years	Thereafter
Debt, excluding unamortized discount	$2,159.5	$25.9	$225.5	$584.2	$1,323.9
Capital leases, excluding interest	15.6	4.2	3.8	1.4	6.2
Noncancelable operating lease obligations*	183.0	9.0	15.3	14.5	144.2
Unconditional purchase obligations**	201.8	51.3	64.9	58.5	27.1
Total	$2,559.9	$90.4	$309.5	$658.6	$1,501.4

* Rent expense under operating leases are recognized on a straight-line basis over the respective terms of the leases, including option renewal periods if renewal of the lease is reasonably assured.

** Amount includes $2.5 million and $9.2 million of expected cash funding contributions to the pension trust and postretirement trust, respectively. These amounts are included in 2005 as the Company is obligated to make these cash funding contributions. The Company has not included obligations beyond 2005, as the amounts are not estimable.

Current maturities of long-term debt of $30.1 million at December 31, 2004 consisted of approximately $24.3 million in scheduled principal payments on long-term debt and $1.6 million of other current debt in addition to $4.2 million related to the current portion of capital leases. The Company expects to have the ability to meet its current debt obligations through cash flows generated by its operations.

Cingular Wireless Corporation ("Cingular"), through its subsidiary AT&T PCS LLC ("AWE"), maintains a 19.9% ownership in the Company's CBW subsidiary. In response to the acquisition (the "Merger") of AWE by Cingular announced on February 17, 2004, the Company entered into an agreement on August 4, 2004 with a subsidiary of Cingular whereby the parties restructured the CBW joint venture effective on October 26, 2004, the date of consummation of the Merger (as subsequently amended, the "Agreement"). Specifically, under the Agreement, the Company has a right to purchase AWE's interest in CBW at a price of $85.0 million if purchased at any time prior to January 31, 2006, plus interest at an annual rate of 5%, compounded monthly, from the date of the Agreement. Thereafter, the Company may purchase the minority interest for $83.0 million, beginning on January 31, 2006 plus interest at an annual rate of 5%, compounded monthly, thereafter. In addition, at any time beginning on January 31, 2006 (or earlier, if the member committee calls for additional capital contributions which call has not been approved by AWE or Cingular), AWE or Cingular has a right to require the Company to purchase its interest in CBW at the purchase price of $83.0 million, plus interest at an annual rate of 5%, compounded monthly, from January 31, 2006 if the purchase has not closed prior to such date.

Other

As of the date of this filing, the Company maintains the following credit ratings:

Entity	Description	Standard and Poor's	Fitch Rating Service	Moody's Investor Service
CBB	Corporate Credit Rating	BB-	BB-	Ba3
CBT	Corporate Credit Rating	B+	BB+	Ba2
CBB	Outlook	negative	stable	positive

The Company does not have any downgrade triggers that would accelerate the maturity dates of its debt or increase the interest rate on its debt.

On November 3, 2004, the Company announced that it was in the process of finalizing a restructuring plan to improve its operating efficiency and more effectively align its cost structure with future business opportunities. The restructuring plan includes a workforce reduction that will be implemented in stages which began in the fourth quarter 2004 and expect to continue through December 31, 2006.

The workforce reduction will be accomplished primarily through attrition and a special retirement incentive, which the Company offered to management and union employees meeting certain age and years of service criteria. Eligible employees wishing to take advantage of the special retirement incentive had to respond on or before November 29, 2004 and, as a condition of acceptance, agree to the company's right to determine the employee's retirement date. This retirement date cannot extend beyond December 31, 2006. The Company was not required to accept all eligible employees who elected to participate within a department, job or other unit if such acceptances exceeded the maximum number of employees to be reduced in such department, job or unit. In addition to the special retirement incentive, the Company initiated involuntary workforce reductions in certain parts of its business.

Beginning in the fourth quarter 2004 and continuing through the fourth quarter 2006, the company estimates that it will recognize total charges of up to $40 million, up to $5 million of which will require non-recurring cash payments. The company estimates that it will eliminate 150 to 200 positions over the next year and as many as 400 positions in the aggregate over the two-year course of the restructuring plan. The Company expects to recognize approximately $20 to $25 million in annual cost savings related to this restructuring.

Commitments and Contingencies

Commitments

In 1998, the Company entered into a ten-year contract with Convergys Corporation ("Convergys"), a provider of billing, customer service and other services, which remains in effect until June 30, 2008. The contract states that Convergys will be the primary provider of certain data processing, professional and consulting and technical support services for the Company within CBT's operating territory. In return, the Company will be the exclusive provider of local telecommunications services to Convergys. During the second quarter of 2004, the Company and Convergys renegotiated the contract, the result of which extended the contract through December 31, 2010, reduced prices for certain provided services by Convergys, excluded certain third party costs and reduced the Company's annual commitment in 2004 and 2005 to $35.0 million from $45.0 million. During the calendar year 2004, the Company paid a total amount of $37.5 million under the contract. Beginning in 2006, the minimum commitment will be reduced 5% annually.

Contingencies

In the normal course of business, the Company is subject to various regulatory proceedings, lawsuits, claims and other matters. Such matters are subject to many uncertainties and outcomes that are not predictable with assurance.

In re Broadwing Inc. Securities Class Action Lawsuits, (Gallow v. Broadwing Inc., et al), U.S. District Court, Southern District of Ohio, Western Division, Case No. C-1-02-795.

Between October and December 2002, five virtually identical class action lawsuits were filed against Broadwing Inc. and two of its former Chief Executive Officers in U.S. District Court for the Southern District of Ohio.

These complaints were filed on behalf of purchasers of the Company's securities between January 17, 2001 and May 20, 2002, inclusive, and alleged violations of Section 10(b) and 20(a) of the Securities and Exchange Act of 1934 by, inter alia, (1) improperly recognizing revenue associated with Indefeasible Right of Use ("IRU") agreements; and (2) failing to write-down goodwill associated with the Company's 1999 acquisition of IXC Communications, Inc. The plaintiffs seek unspecified compensatory damages, attorney's fees, and expert expenses.

On December 30, 2002, the "Local 144 Group" filed a motion seeking consolidation of the complaints and appointment as lead plaintiff. By order dated October 29, 2003, Local 144 Nursing Home Pension Fund, Paul J. Brunner and Joseph Lask were named lead plaintiffs in a putative consolidated class action.

On December 1, 2003, lead plaintiffs filed their amended consolidated complaint on behalf of purchasers of the Company's securities between January 17, 2001 and May 20, 2002, inclusive. This amended complaint contained a number of new allegations. Cincinnati Bell Inc. was added as defendant in this amended filing. The Company's motion to dismiss was filed on February 6, 2004. Plaintiffs filed their opposition on April 2, 2004 and the Company filed its reply on May 17, 2004.

On September 24, 2004, Judge Walter Rice issued an Order granting in part and denying in part the Company's motion to dismiss. The Order indicates that a more detailed opinion will follow. Until the detailed opinion is issued, there is no way of knowing which portions of the case have been dismissed. In the interim, Judge Rice directed that the stay of discovery will remain in effect. The Company is vigorously defending these matters. The timing and outcome of these matters are not currently predictable. An unfavorable outcome could have a material effect on the financial condition, results of operations and cash flows of the Company.

In re Broadwing Inc. Derivative Complaint, (Garlich v. Broadwing Inc., et al.), Hamilton County Court of Common Pleas, Case No. A0302720.

This derivative complaint was filed against Broadwing Inc. and ten of its current and former directors on April 9, 2003 alleging breaches of fiduciary duty arising out of the same allegations discussed in *In re Broadwing Inc. Securities Class Action Lawsuits* above. Pursuant to a stipulation between the parties, defendants are not required, absent further order by the Court, to answer, move, or otherwise respond to this complaint until 30 days after the federal court renders a ruling on defendants' motion to dismiss in *In re Broadwing Inc. Securities Class Action Lawsuits*. The Company is vigorously defending these matters. The timing and outcome of these matters are not currently predictable. An unfavorable outcome could have a material effect on the financial condition, results of operations and cash flows of the Company.

In re Broadwing Inc. ERISA Class Action Lawsuits, (Kurtz v. Broadwing Inc., et al), U.S District Court, Southern District of Ohio, Western Division, Case No. C-1-02-857.

Between November 18, 2002 and January 10, 2003, four putative class action lawsuits were filed against Broadwing Inc. and certain of its current and former officers and directors in the United States District Court for the Southern District of Ohio. Fidelity Management Investment Trust Company was also named as a defendant in these actions.

These cases, which purport to be brought on behalf of the Cincinnati Bell Inc. Savings and Security Plan, the Broadwing Retirement Savings Plan, and a class of participants in the Plans, generally allege that the defendants breached their fiduciary duties under the Employee Retirement Income Security Act of 1974 ("ERISA") by improperly encouraging the Plan participant-plaintiffs to elect to invest in the Company stock fund within the relevant Plan and by improperly continuing to make employer contributions to the Company stock fund within the relevant Plan.

On October 22, 2003, a putative consolidated class action complaint was filed in the U.S. District Court for the Southern District of Ohio. The Company filed its motion to dismiss on February 6, 2004. Plaintiffs filed their opposition on April 2, 2004 and the Company filed its reply by May 17, 2004.

On October 6, 2004, the Judge issued a Scheduling Order in these matters. According to the Scheduling Order, discovery was permitted to commence immediately and must have been completed by November 15, 2005. The trial is tentatively scheduled to take place in May 2006. A ruling on the Company's motion to dismiss is still pending. The Company is vigorously defending these matters. The timing and outcome of these matters are not currently predictable. An unfavorable outcome could have a material effect on the financial condition, results of operations and cash flows of the Company.

During 2004, a class action complaint against Cincinnati Bell Wireless Company and Cincinnati Bell Wireless, LLC was filed in Hamilton County, Ohio. The complaint alleges that the plaintiff and similarly-situated customers were wrongfully assessed roaming charges for wireless phone calls made or received within the Company's Home Service Area and/or within major metropolitan areas on the AT&T Wireless Network. The complaint asserts several causes of action, including negligent and/or intentional misrepresentation, breach of contract, fraud, unjust enrichment, conversion and violation of the Ohio Consumer Sales Practices Act. The plaintiff seeks economic and punitive damages on behalf of himself and all similarly-situated customers.

On January 31, 2005, another class action complaint against Cincinnati Bell Wireless Company and Cincinnati Bell Wireless LLC was filed in Kenton County, Kentucky. The allegations raised and damages sought by plaintiffs in this action are very similar to those previously described.

The Company is vigorously defending these actions. At this stage of the litigation, it is premature to assess the ultimate viability of plaintiffs' claims and whether these actions will potentially have a material adverse effect upon the Company.

Indemnifications

During the normal course of business, the Company makes certain indemnities, commitments and guarantees under which it may be required to make payments in relation to certain transactions. These include (a) intellectual property indemnities to customers in connection with the use, sales and/or license of products and services, (b) indemnities to customers in connection with losses incurred while performing services on their premises (c) indemnities to vendors and service providers pertaining to claims based on negligence or willful misconduct of the Company, and (d) indemnities involving the representations and warranties in certain contracts. In addition, the Company has made contractual commitments to several employees providing for payments upon the occurrence of certain prescribed events. The majority of these indemnities, commitments and guarantees do not provide for any limitation on the maximum potential for future payments that the Company could be obligated to make. Except for amounts recorded in relation to insured losses, the Company has not recorded a liability for these indemnities, commitments and other guarantees in the Consolidated Balance Sheets, excepted as described below.

The following table summarizes the Company's indemnification obligations as of December 31, 2004:

(dollars in millions)	Fair Value	Estimated Maximum Indemnities
Indemnities to the buyer of the broadband assets	$4.1	$197.3
Indemnities related to legal settlement agreements	0.5	1.0
Total Indemnities	$4.6	$198.3

The Company has indemnified the buyer of the broadband assets against certain potential claims, including environmental, tax, title and authorization. The title and authorization indemnification was capped at 100% of the purchase price of the broadband assets, which initially was $91.5 million, subject to reductions under the terms of the purchase agreement. The environmental indemnities were capped at 50% of the purchase price of the broadband assets.

In order to determine the fair value of the indemnity obligations and warranties provided to the buyer of the broadband assets, the Company performed a probability-weighted discounted cash flow analysis, utilizing the minimum and maximum potential claims and several scenarios within the range of possibilities. For the year ended December 31, 2003, the analysis originally resulted in a $7.8 million estimated fair value of the indemnity obligations, which was included in other liabilities and has been reflected as a reduction of the gain on sale of broadband assets in the Consolidated Statement of Operations and Comprehensive Income (Loss).

During the fourth quarter of 2004, the Company decreased the liability related to the indemnity obligations to $4.1 million due to the expiration of the general representations and warranties and no broker warranties, and recorded $3.7 million as a gain on sale of broadband assets in the Consolidated Statement of Operations and Comprehensive Income (Loss).

In order to determine the fair value of the indemnity obligations and warranties provided under the legal settlement agreements, the Company utilized a best estimates approach when possible and for certain transactions performed a probability-weighted discounted cash flow analysis, utilizing the minimum and maximum potential claims and certain scenarios within the range of possibilities. For the year ended December 31, 2003, the analysis originally resulted in a $3.2 million estimated fair value of the indemnity obligations, which was included in other liabilities and was reflected as other operating expense in the Consolidated Statement of Operations and Comprehensive Income (Loss).

In the fourth quarter of 2004, the Company paid approximately $2.7 million related to these indemnity obligations. At December 31, 2004, $0.5 million remained in other liabilities related to the indemnity for certain representations and warranties provided under the terms of the legal settlement agreement.

Off-Balance Sheet Arrangements

The Company does not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as special purpose entities ("SPEs") or variable interest entities ("VIEs"), which would have been established for the purpose of facilitating off-balance sheet arrangements or other limited purposes.

Cash Flow

2004 Compared to 2003

In 2004 the Company generated cash from operating activities of $300.7 million, which was $9.9 million, or 3%, less than in the prior year. This decrease was primarily attributable to increased handset subsidies for new customer additions and the migration of existing TDMA customer to its new GSM/GPRS network. The Company also experienced higher cash consumption with regard to working capital on behalf of its ongoing businesses and due to payments on accrued liabilities that remained from the sale of substantially all the broadband segment assets. Offsetting these declines, however, was an improvement resulting from the sale of the broadband business in June 2003, which was operating at a cash deficit prior to the sale of the Company's broadband assets.

The Company's investing activities included outflows for capital expenditures and inflows from the sale of certain assets. Capital expenditures during 2004 totaled $133.9 million, $7.5 million higher than the $126.4 million incurred in 2003. In 2003, the Company received $82.7 million from the sale of certain assets of its broadband business and $3.8 million from the sale of its entire equity investment in Terabeam, offset by $6.1 million in fees related to the sale of the BRCOM assets. In 2004, the Company received $3.3 million from the sale of certain assets of CBTS and Public, generally consisting of operating assets outside its current operating area, net of working capital adjustments.

During 2004, the Company reduced borrowings under its credit facilities by $169.6 million primarily as a result of cash provided by operating activities. This is $870.1 million less than during 2003, when the Company reduced borrowings under its credit facility with the net proceeds of $350 million from the 16% Senior subordinated notes, $500 million from the 7¼% Senior notes due 2013, $540 million from the 8⅜% notes and approximately $50 million of the proceeds from the sale of the broadband business.

The Company incurred no debt issuance costs during 2004, in comparison to the $80.4 million incurred during 2003 as a result of the aforementioned capital structure transactions. The Company also paid approximately $10.4 million and $7.9 million in preferred stock dividends during years ended December 31, 2004 and 2003, respectively.

Primarily as a net result of the transactions noted above, the Company used $177.5 million of its cash flows for financing activities during 2004, which was $109.2 million less than during 2003.

As of December 31, 2004, the Company held $24.9 million in cash and cash equivalents. The Company's primary sources of cash will be cash generated by operations and borrowings from the Company's revolving credit facility. The primary uses of cash will be for funding the maintenance and strategic expansion of the local and wireless networks; interest and principal payments on the Company's credit facilities, 16% notes, 7¼% Senior notes due 2013, 7¼% Senior notes due 2023, 7.0% notes due 2015, 8⅜% notes, and CBT notes; dividends on the 6¾% cumulative convertible preferred stock; working capital; and the extinguishment of the remaining liabilities of the Company's Broadband segment.

2003 Compared to 2002

For the year ended December 31, 2003, cash provided by operating activities totaled $310.6 million, $118.0 million more than the $192.6 million provided by operating activities during the year ended December 31, 2002. This increase was largely due to a reduction in cash used in operations and working capital needs resulting from the sale of substantially all of the broadband assets.

The Company's investing activities included outflows for capital expenditures and inflows from the sale of equity investments and assets. Capital expenditures during 2003 totaled $126.4 million, $49.5 million lower than the $175.9 million incurred during 2002. The decrease was due to completion of the optical overbuild of the national broadband network and subsequent sale of the broadband assets, partially offset by an increase at CBW related to the GSM/GPRS network overbuild previously discussed. In 2003, the Company received $82.7 million from the sale of substantially all of the assets of its broadband business and $3.8 million from the sale of its entire equity investment in Terabeam, offset by $6.1 million in fees related to the sale of the BRCOM assets. In 2002, the Company received proceeds of $345.0 million as a result of the sale of substantially all of the assets of CBD and $23.3 million from the sale of its entire equity stake in Anthem Inc.

The Company received $1,390.0 million of gross cash proceeds from the issuance of the 16% notes, the 7¼% Senior notes due 2013 and the 8⅜% notes during 2003. These gross proceeds were used to pay amounts outstanding under the credit facility, purchase the Convertible Subordinated Notes at a discounted price equal to 97% of their accreted value, and pay fees and expenses related to the transactions. The Company permanently prepaid $708.8 million in borrowings under its term and revolving credit facilities and made a $195.7 million payment under its term credit facilities with the net cash proceeds from the 16% notes, the net cash proceeds from the 7¼% Senior notes due 2013 and cash provided by operations. BCSI Inc., a subsidiary of BRCOM, permanently repaid $193.0 million of the revolving credit facility using cash proceeds of $82.7 million from the sale of broadband assets and borrowings from the Company to fund operations and pay down remaining liabilities of $110.3 million in 2003. The Company reduced its borrowings under its revolving credit facilities utilizing cash provided by operations and cash on its balance sheet as of December 31, 2002.

Approximately $7.9 million in 6¾% cumulative convertible preferred stock dividends were paid during 2003. As a result of BRCOM's decision to defer the February 15, 2003, May 15, 2003 and August 15, 2003 cash dividend payment on its 12½% Preferreds, the Company conserved approximately $24.8 million in cash during 2003 compared to 2002. The dividends were accrued, and therefore were presented as minority interest expense in the Consolidated Statements of Operations and Comprehensive Income (Loss) through the exchange of the preferred stock on September 8, 2003. Refer to Note 9 of the Notes to Consolidated Financial Statements for a detailed discussion of minority interest. Debt issuance costs during 2003 totaled $80.4 million, $71.2 million higher than the $9.2 million incurred during 2002. The increase in debt issuance costs is due to the financing transactions completed in 2003.

Regulatory Matters and Competitive Trends

Federal — The Telecommunications Act of 1996 was enacted with the goal of establishing a pro-competitive, deregulatory framework to promote competition and investment in advanced telecommunications facilities and services to all Americans. Since 1996 federal regulators have considered a multitude of proceedings ostensibly aimed at fulfilling the goals of the Act and this process is continuing through numerous proceedings currently before the Federal Communications Commission (FCC) and the federal courts. 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 opening up opportunities for new competitive entrants and services with minimal regulation. While Cincinnati Bell has expanded beyond its incumbent local exchange operations by offering wireless, long distance, broadband service, Internet access and out-of-territory competitive local exchange services, the majority of its revenue is still derived from its traditional local exchange services. The financial impact of the various federal proceedings will depend on many factors including the extent of competition in our market and the timing and outcome of the FCC's decisions and any appeals from those decisions.

Intercarrier Compensation

Current rules specify different means of compensating carriers for the use of their networks depending on the type of traffic and technology used by the carriers. The FCC has just recently opened a proceeding to consider various plans that have been proposed for revising the disparate intercarrier compensation system into a unified regime that treats all traffic in a uniform manner. The outcome of this proceeding could have significant impacts on all carriers and will probably be phased-in over a five to ten year period. This proceeding impacts the switched access and end-user components of CBT's revenue.

Reciprocal Compensation

Although the topic of reciprocal compensation will ultimately be addressed within the broader intercarrier compensation proceeding mentioned above, the FCC adopted an order which in the short-term directly impacted the rules for the termination of ISP-bound dial-up traffic. The previous rules capped the total number of minutes that could be compensated ("growth" cap) and limited compensation to markets in which the carriers previously exchanged traffic ("new markets" rule). The FCC's new order eliminated the growth cap and the new markets rule. This decision could increase the amount that CBT must pay to CLECs with which it exchanges such traffic. However, several carriers have sought reconsideration of the decision by the FCC and other carriers have filed appeals with the federal court.

VoIP

During 2004 the FCC declared that VoIP services are interstate services. In addition, the FCC has considered several petitions asking it to rule on whether and under what circumstances voice services utilizing Internet Protocol (IP) are subject to access charges. It has ruled that peer-to-peer Internet voice services that do not use the public switched telephone network ("PSTN") are not subject to access charges. Separately, it has ruled that services that originate and terminate on the PSTN but employ IP in the middle are subject to access charges. The FCC is still considering other VoIP petitions, including one that seeks to exempt from access charges calls that originate using VoIP, but terminate on the PSTN. In addition, the FCC is considering a broader rulemaking proceeding to determine the regulatory status of IP-enabled services generally.

Special Access

In early 2005 the FCC opened a proceeding to review the current special access pricing rules. Under the existing rules, CBT's special access services are subject to price cap regulation with no earnings cap. The new proceeding is examining the entire special access pricing structure, including whether or not to reinstate an earnings cap.

Universal Service

The federal Universal Service Fund is currently funded via an assessment on all telecommunications carriers' interstate end-user revenue. The FCC is currently considering alternatives to this method of funding. Some of the alternatives being considered are assessments based on connections and telephone numbers. Any such alteration could result in a change in the manner in which carriers recover their contributions from end users.

Unbundled Network Elements

In early 2005 the FCC made yet another attempt to rewrite its unbundled network element rules in response to the federal court's remand of the previous rules. The latest rules have no significant impact on CBT. However, the elimination of unbundled circuit switching, and thus the UNE platform (UNE-P), will require CBET to migrate its UNE-P lines to alternative arrangements by March 11, 2006 and/or to negotiate with the underlying ILEC for continued provision of UNE-P. This is not expected to have a significant adverse impact on CBET since CBET had already planned to migrate the majority of its customers to its own switching facilities.

State — Because CBT generates the majority of its revenue from the operation of its public switched telephone network, its financial results follow no particular seasonal pattern. CBT does derive a significant portion of its revenue from pricing plans that are subject to regulatory overview and approval. In both Ohio and Kentucky, CBT operates under alternative regulation plans in which CBT cannot increase the price of basic local services and is subject to restrictions on its ability to increase the price of other related services. In return, CBT is not subject to an earnings cap or recapture in Ohio, as it would if regulated under a traditional regulatory plan based upon a targeted rate of return. CBT has operated under alternative regulation plans since 1994 during which price increases and enhanced flexibility for a limited number of services have partially offset the effect of fixed pricing for basic local service and reduced pricing for other, primarily wholesale services.

In June 2004, CBT adopted a new alternative regulation plan in Ohio which, although similar to its previous plan, gives CBT the option to remain in the alternative regulation plan indefinitely. Also, CBT's new plan requires the Local segment to operate as a Competitive Local Exchange Carrier ("CLEC") in service areas outside of CBT's traditional ILEC franchise area. For approximately the past six years, CBT has offered local services, primarily on its own facilities-based network, to Ohio communities contiguous to its ILEC territory. In Dayton, the Local segment has provided its voice services offering using the port-loop-transport combination (UNE-P) as well as the UNE-L regulatory format. On February 4, 2005, the FCC released its unbundled network elements order on remand which will effectively abolish UNE-P as a regulated service and has left each carrier to negotiate new pricing arrangements under commercial agreements. The Local segment has engaged in such negotiations; however, it does not expect the profitability of its Dayton local operations to change substantially because the segment had planned to migrate the provisioning of service to UNE-L, which is a more economic service delivery model as the segment has gained customers.

Recently Issued Accounting Standards

On December 16, 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123(R), "Share-Based Payment", which is a revision of SFAS No. 123 and supersedes APB Opinion No. 25. SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be valued at fair value on the date of grant, and to be expensed over the applicable vesting period. Pro forma disclosure of the income statement effects of share-based payments is no longer an alternative. SFAS No. 123(R) is effective for all stock-based awards granted on or after July 1, 2005. In addition, companies must also recognize compensation expense related to any awards that are not fully vested as of the effective date. Compensation expense for the unvested awards will be measured based on the fair value of the awards previously calculated in developing the pro forma disclosures in accordance with the provisions of SFAS No. 123. Although the Company is still evaluating the impact of adopting SFAS 123(R) on its consolidated results of operations, the Company expects the impact will be material.

In May 2004, the FASB issued FASB Staff Position ("FSP") No. FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" ("FSP 106-2"). FSP 106-2 provides guidance on accounting for the effects of the new Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") by employers whose prescription drug benefits are actuarially equivalent to the drug benefit under Medicare Part D. FSP 106-2 is effective as of the first interim period beginning after June 15, 2004. The Company adopted FSP 106-2 during the third quarter of 2004 which reduced postretirement medical expense by $1.1 million and reduced the postretirement benefit obligation by $10.3 million in 2004. The reduction in postretirement expense for 2004 was comprised of a $0.6 million benefit related to interest cost and a $0.5 milion benefit in amortization of the actuarial loss.

Private Securities Litigation Reform Act of 1995 Safe Harbor Cautionary Statement

This Form 10-K contains "forward-looking" statements, as defined in federal securities laws including the Private Securities Litigation Reform Act of 1995, which are based on Cincinnati Bell Inc.'s current expectations, estimates and projections. Statements that are not historical facts, including statements about the beliefs, expectations and future plans and strategies of the Company, are forward-looking statements. These include any statements regarding:

- future revenue, operating income, profit percentages, income tax refunds, realization of deferred tax assets, earnings per share or other results of operations;
- the continuation of historical trends;
- the sufficiency of cash balances and cash generated from operating and financing activities for future liquidity and capital resource needs;
- the effect of legal and regulatory developments; and
- the economy in general or the future of the communications services industries.

Actual results may differ materially from those expressed or implied in forward-looking statements. These statements involve potential risks and uncertainties, which include, but are not limited to:

- changing market conditions and growth rates within the telecommunications industry or generally within the overall economy;
- world and national events that may affect the Company's ability to provide services or the market for telecommunication services;
- changes in competition in markets in which the Company operates;
- pressures on the pricing of the Company's products and services;
- advances in telecommunications technology;
- the ability to generate sufficient cash flow to fund the Company's business plan and maintain its networks;
- the ability to refinance the Company's indebtedness when required on commercially reasonable terms;
- the Company's ability to continue to finance BRCOM (a wholly-owned subsidiary);
- changes in the telecommunications regulatory environment;
- changes in the demand for the services and products of the Company;
- the demand for particular products and services within the overall mix of products sold, as the Company's products and services have varying profit margins;
- the Company's ability to introduce new service and product offerings in a timely and cost effective basis;
- the Company's ability to attract and retain highly qualified employees;
- the Company's ability to enter into a new collective bargaining agreement on acceptable terms upon expiration of existing agreements;
- the Company's ability to access capital markets and the successful execution of restructuring initiatives
- volatility in the stock market, which may affect the value of the Company's stock; and
- the outcome of any of the pending class and derivative shareholder lawsuits.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they were made. The Company does not undertake any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk Management — The Company's objective in managing its exposure to interest rate changes is to limit the impact of interest rate changes on earnings, cash flows, fair market value of certain assets and liabilities and to lower its overall borrowing costs.

The Company is exposed to the impact of interest rate fluctuations. To manage its exposure to interest rate fluctuations, the Company uses a combination of variable rate short-term and fixed rate long-term financial instruments. Because the Company is exposed to the impact of interest rate fluctuations, primarily in the form of variable rate borrowings from its credit facility and changes in current rates compared to that of its fixed rate debt, the Company sometimes employs derivative financial instruments to manage its exposure to these fluctuations and its total interest expense over time. The Company does not hold or issue derivative financial instruments for trading purposes or enter into transactions for speculative purposes.

Interest rate swap agreements, a particular type of derivative financial instrument, involve the exchange of fixed and variable rate interest payments between the Company and its counterparties in the transactions and do not represent an actual exchange of the notional amounts between the parties. Because the notional amounts are not exchanged, the notional amounts of these agreements are not indicative of the Company's exposure resulting from these derivatives. The amounts to be exchanged between the parties are primarily the net result of the fixed and floating rate percentages to be charged on the swap's notional amount.

In June 2004, the Company entered into a series of interest rate swaps with total notional amounts of $100 million that qualify for fair value hedge accounting and expire in January 2014. The interest rate swaps are designated as fair value hedges of a portion of the 8⅜% Senior subordinated notes due 2014. Fair value hedges are hedges that eliminate the risk of changes in the fair value of underlying assets and liabilities. The interest rate swaps are recorded at their fair value and the carrying value of the 8⅜% Senior subordinated notes due 2014 is adjusted by the same corresponding value in accordance with the shortcut method of Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). As of December 31, 2004, the fair value of interest rate swap contracts was $3.9 million.

Pursuant to a series of transactions in late February and early March 2005, the Company executed additional fixed-to-floating interest rate swaps with notional amounts of $350 million in order to: (a) hedge the fair value risk associated with additional fixed coupon debt and (b) re-balance the fixed-to-floating rate mix with regard to the Company's capital structure. On February 16, 2005, as part of the refinancing plan, the Company concurrently sold $250 million aggregate principal amount of new 7% Senior Notes due 2015 and an additional $100 million aggregate principal amount of the Company's previously issued 8⅜% Notes due 2014 (collectively, the "New Bonds"). The net proceeds from the offering of the New Bonds, together with amounts under the Company's new credit facility, were used to repay all outstanding borrowings of $438.8 million and terminate the Company's prior credit facility. The New Bonds are fixed rate bonds to maturity and are not callable until February 15, 2010 and January 15, 2009, respectively. The interest rate swaps essentially change the fixed rate nature of the New Bonds to mimic the floating rates paid on the prior credit facility. The desired effect of the interest rate swaps are to largely offset the increase in interest expense resulting from the issuance of the new bonds in the short-term, but are subject to, and will be affected by, future changes in interest rates.

Potential nonperformance by counterparties to the swap agreements exposes the Company to a certain amount of credit risk due to the possibility of counterparty default. Because the Company's only counterparties in these transactions are financial institutions that are at least investment grade, it believes the risk of counterparty default is minimal. The Company also seeks to minimize risk associated with a concentration of credit risk by placing these interest rate swaps with a variety of investment grade financial institutions.

The following table sets forth the face amounts, maturity dates and average interest rates for the fixed- and floating-rate debt held by the Company at December 31, 2004 (excluding capital leases and unamortized discount):

(dollars in millions)	2005	2006	2007	2008	2009	Thereafter	Total	Fair Value
Fixed-rate debt	$21.6	—	—	—	$375.2	$1,323.9	$1,720.7	$1,799.8
Average interest rate on fixed-rate debt	6.3%	—	—	—	16.0%	7.6%	9.4%	—
Floating-rate debt	$ 4.3	$14.3	$211.2	$209.0	—	—	$ 438.8	$ 441.9
Average interest rate on floating-rate debt	5.1%	6.3%	5.1%	5.1%	—	—	5.1%	—

Item 8. Financial Statements and Supplementary Schedules

Index to Consolidated Financial Statements

Financial statement schedules other than that 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

Management is responsible for establishing and maintaining adequate internal control over financial reporting, and for performing an assessment of the effectiveness of internal control over financial reporting as of December 31, 2004. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's system of internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) 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 (iii) 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.

Management performed an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004 based upon criteria in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment, management determined that the Company's internal control over financial reporting was effective as of December 31, 2004 based on the criteria in Internal Control-Integrated Framework issued by the COSO.

Our management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

March 14, 2005

/s/ John F. Cassidy
John F. Cassidy
President and Chief Executive Officer

/s/ Brian A. Ross
Brian A. Ross
Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Board of Directors and the
Shareowners of Cincinnati Bell Inc.

We have completed an integrated audit of Cincinnati Bell Inc.'s 2004 consolidated financial statements and of its internal control over financial reporting as of 2004 and audits of its 2003 and 2002 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements and financial statement schedule

In our opinion, the consolidated financial statements listed in the accompanying index, present fairly, in all material respects, the financial position of Cincinnati Bell Inc. and its subsidiaries at December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements 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 of financial statements 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, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, on January 1, 2003, the Company changed its method of accounting for asset retirement obligations in connection with the adoption of Statement of Financial Accounting Standards No. 143. In addition, as discussed in Note 4 to the consolidated financial statements, on January 1, 2002, the Company changed the manner in which it accounts for goodwill and other intangible assets upon adoption of Statement of Financial Accounting Standards No. 142.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 8, that the Company maintained effective internal control over financial reporting as of December 31, 2004 based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control — Integrated Framework* issued by the COSO. 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. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting 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. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) 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 (iii) 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 its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Cincinnati, Ohio
March 14, 2005

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Millions of Dollars, Except Per Share Amounts)

	Year Ended December 31		
	2004	2003	2002
Revenue	$1,207.1	$1,557.8	$ 2,178.6
Costs and expenses			
Cost of services and products (excluding depreciation of $155.7, $136.6 and $373.9, respectively, included below)	481.4	681.5	1,035.6
Selling, general and administrative	227.6	353.1	502.2
Depreciation	178.6	169.1	471.0
Amortization	9.1	0.6	25.3
Restructuring charges (credits)	11.6	(2.6)	37.1
Asset impairments and other charges	3.2	8.8	2,200.9
Gain on sale of broadband assets	(3.7)	(336.7)	—
Total operating costs and expenses	907.8	873.8	4,272.1
Operating income (loss)	299.3	684.0	(2,093.5)
Minority interest expense (income)	(0.5)	42.2	57.6
Interest expense and other financing costs	203.3	234.2	164.2
Loss on investments	—	—	10.7
Other income, net	3.8	9.6	0.5
Income (loss) from continuing operations before income taxes, discontinued operations and cumulative effect of change in accounting principle	100.3	417.2	(2,325.5)
Income tax expense (benefit)	36.1	(828.8)	123.7
Income (loss) from continuing operations before discontinued operations and cumulative effect of change in accounting principle	64.2	1,246.0	(2,449.2)
Income from discontinued operations, net of taxes of $119.7	—	—	217.6
Income (loss) before cumulative effect of change in accounting principle	64.2	1,246.0	(2,231.6)
Cumulative effect of change in accounting principle, net of taxes of $0.0, $47.5 and $5.9, respectively	—	85.9	(2,008.7)
Net income (loss)	64.2	1,331.9	(4,240.3)
Preferred stock dividends	10.4	10.4	10.4
Net income (loss) applicable to common shareowners	$ 53.8	$1,321.5	$(4,250.7)
Net income (loss)	$ 64.2	$1,331.9	$(4,240.3)
Other comprehensive income (loss), net of tax:			
Unrealized gain on interest rate swaps	—	4.5	2.9
Additional minimum pension liability adjustment	(3.2)	7.0	(6.0)
Total other comprehensive income (loss)	(3.2)	11.5	(3.1)
Comprehensive income (loss)	$ 61.0	$1,343.4	$(4,243.4)
Basic earnings (loss) per common share			
Income (loss) from continuing operations	$ 0.22	$ 5.44	$ (11.27)
Income from discontinued operations, net of taxes	—	—	1.00
Cumulative effect of change in accounting principle, net of taxes	—	0.38	(9.20)
Net income (loss) per common share	$ 0.22	$ 5.82	$ (19.47)
Diluted earnings (loss) per common share			
Income (loss) from continuing operations	$ 0.21	$ 5.02	$ (11.27)
Income from discontinued operations, net of taxes	—	—	1.00
Cumulative effect of change in accounting principle, net of taxes	—	0.34	(9.20)
Net income (loss) per common share	$ 0.21	$ 5.36	$ (19.47)
Weighted average common shares outstanding (millions)			
Basic	245.1	226.9	218.4
Diluted	250.5	253.3	218.4

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

CONSOLIDATED BALANCE SHEETS
(Millions of Dollars)

	As of December 31	
	2004	2003
Assets		
Current assets		
Cash and cash equivalents	$ 24.9	$ 26.0
Receivables, less allowances of $14.5 and $20.2	139.0	140.5
Materials and supplies	29.3	33.6
Deferred income tax benefits, net	51.1	42.4
Prepaid expenses and other current assets	15.5	16.9
Total current assets	259.8	259.4
Property, plant and equipment, net	851.1	898.8
Goodwill	40.9	40.9
Other intangible assets, net	35.8	47.2
Deferred income tax benefits, net	656.7	696.9
Other noncurrent assets	114.4	130.3
Total assets	$ 1,958.7	$ 2,073.5
Liabilities and Shareowners' Deficit		
Current liabilities		
Current portion of long-term debt	$ 30.1	$ 13.3
Accounts payable	58.9	64.5
Current portion of unearned revenue and customer deposits	42.5	41.5
Accrued taxes	45.4	43.7
Accrued interest	43.2	27.0
Accrued payroll and benefits	33.2	37.6
Other current liabilities	44.1	67.7
Total current liabilities	297.4	295.3
Long-term debt, less current portion	2,111.1	2,274.5
Unearned revenue, less current portion	8.9	11.9
Accrued pension and postretirement benefits	87.5	75.1
Other noncurrent liabilities	39.1	56.4
Total liabilities	2,544.0	2,713.2
Minority interest	39.2	39.7
Commitments and contingencies		
Shareowners' Deficit		
6¾% Cumulative Convertible Preferred Stock, 2,357,299 shares authorized, 155,250 (3,105,000 depositary shares) issued and outstanding at December 31, 2004 and 2003	129.4	129.4
Common shares, $.01 par value; 480,000,000 shares authorized; 253,270,244 and 252,429,313 shares issued; 245,401,480 and 244,561,211 outstanding at December 31, 2004 and 2003	2.5	2.5
Additional paid-in capital	2,934.5	2,940.7
Accumulated deficit	(3,540.0)	(3,604.2)
Accumulated other comprehensive loss	(5.5)	(2.3)
Common shares in treasury, at cost: 7,868,764 and 7,868,102 shares at December 31, 2004 and 2003	(145.4)	(145.5)
Total shareowners' deficit	(624.5)	(679.4)
Total liabilities and shareowners' deficit	$ 1,958.7	$ 2,073.5

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Millions of Dollars)

	Year Ended December 31		
	2004	**2003**	**2002**
Cash flows from operating activities			
Net income (loss)	$ 64.2	$ 1,331.9	$(4,240.3)
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Cumulative effect of change in accounting principle, net of tax	—	(85.9)	2,008.7
Gain on sale of broadband assets	(3.7)	(336.7)	—
Gain from sale discontinued operations, net of taxes	—	—	(211.8)
Depreciation	178.6	169.1	471.0
Amortization	9.1	0.6	25.3
Asset impairments and other charges (credits)	3.2	8.8	2,200.9
Increase (decrease) in tax valuation allowance	(27.8)	(946.9)	1,110.7
Provision for loss on receivables	16.0	25.0	55.6
Noncash interest expense	35.2	88.7	47.4
Minority interest expense (income)	(0.5)	42.2	57.6
Loss on investments	—	—	10.7
Deferred income tax expense (benefit)	60.6	117.7	(946.6)
Tax benefits from employee stock option plans	1.3	0.6	2.5
Other, net	(1.1)	(8.1)	0.7
Changes in operating assets and liabilities			
Decrease (increase) in receivables	(20.7)	1.0	(29.9)
(Increase) decrease in prepaid expenses and other current assets	3.9	3.4	(0.9)
Decrease in accounts payable	(0.8)	(28.2)	(59.8)
Decrease in accrued and other current liabilities	(12.8)	(18.8)	(54.0)
Decrease in unearned revenue	(1.2)	(49.9)	(198.0)
Increase in other assets and liabilities, net	(2.8)	(3.9)	(50.3)
Net cash used in discontinued operations	—	—	(6.9)
Net cash provided by operating activities	300.7	310.6	192.6
Cash flows from investing activities			
Capital expenditures	(133.9)	(126.4)	(175.9)
Proceeds from sale of investments	—	3.8	23.3
Proceeds from sale of assets	3.3	—	—
Proceeds from sale of broadband assets	—	82.7	—
Other, net	6.3	(2.9)	—
Proceeds from the sale of discontinued operations	—	—	345.0
Net cash provided by (used in) investing activities	(124.3)	(42.8)	192.4
Cash flows from financing activities			
Issuance of long-term debt	—	1,390.0	151.0
Repayment of long-term debt	(171.8)	(1,590.6)	(476.9)
Debt issuance costs	—	(80.4)	(9.2)
Purchase of Cincinnati Bell shares for treasury and employee benefit plans	—	—	(0.6)
Issuance of common shares — exercise of stock options	2.4	2.2	0.8
Preferred stock dividends paid	(10.4)	(7.9)	(10.4)
Minority interest and other	2.3	—	(24.8)
Net cash used in financing activities	(177.5)	(286.7)	(370.1)
Net increase (decrease) in cash and cash equivalents	(1.1)	(18.9)	14.9
Cash and cash equivalents at beginning of period	26.0	44.9	30.0
Cash and cash equivalents at end of period	$ 24.9	$ 26.0	$ 44.9

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

CONSOLIDATED STATEMENTS OF SHAREOWNERS' EQUITY (DEFICIT)
(All Amounts in Millions)

	6¾% Cumulative Convertible Preferred Shares		Common Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Shares		Total
	Shares	Amount	Shares	Amount				Shares	Amount	
Balance at December 31, 2001	3.1	$129.4	225.7	$2.3	$2,365.8	$ (695.8)	$(10.7)	(7.8)	$(145.1)	$ 1,645.9
Shares issued (purchased) under employee plans	—	—	0.2	—	3.3	—	—	(0.1)	(0.6)	2.7
Net loss	—	—	—	—	—	(4,240.3)	—	—	—	(4,240.3)
Additional minimum pension liability adjustment, net of taxes of $3.3	—	—	—	—	—	—	(6.0)	—	—	(6.0)
Unrealized gain on interest rate swaps, net of taxes of $1.6	—	—	—	—	—	—	2.9	—	—	2.9
Restricted stock amortization	—	—	0.5	—	6.4	—	—	—	—	6.4
Dividends on 6¾% preferred stock	—	—	—	—	(10.4)	—	—	—	—	(10.4)
Balance at December 31, 2002	3.1	129.4	226.4	2.3	2,365.1	(4,936.1)	(13.8)	(7.9)	(145.7)	(2,598.8)
Shares issued under employee plans	—	—	0.7	—	7.9	—	—	—	0.2	8.1
Net income	—	—	—	—	—	1,331.9	—	—	—	1,331.9
Additional minimum pension liability adjustment, net of taxes of $3.2	—	—	—	—	—	—	7.0	—	—	7.0
Unrealized gain on interest rate swaps, net of taxes of $2.5	—	—	—	—	—	—	4.5	—	—	4.5
Common stock warrants issued	—	—	—	—	45.1	—	—	—	—	45.1
Shares issued in the 12½% preferred shares and 9% notes exchanges	—	—	25.2	0.2	532.7	—	—			532.9
Restricted stock amortization	—	—	—	—	0.3	—	—	—	—	0.3
Dividends on 6¾% preferred stock	—	—	—	—	(10.4)	—	—	—	—	(10.4)
Balance at December 31, 2003	3.1	129.4	252.3	2.5	2,940.7	(3,604.2)	(2.3)	(7.9)	(145.5)	(679.4)
Shares issued under employee plans	—	—	0.9	—	3.6	—	—	—	0.1	3.7
Net income	—	—	—	—	—	64.2	—	—	—	64.2
Additional minimum pension liability adjustment, net of taxes of $2.2	—	—	—	—	—	—	(3.2)	—	—	(3.2)
Restricted stock amortization	—	—	0.1	—	0.6	—	—	—	—	0.6
Dividends on 6¾% preferred stock	—	—	—	—	(10.4)	—	—	—	—	(10.4)
Balance at December 31, 2004	3.1	$129.4	253.3	$2.5	$2,934.5	$(3,540.0)	$ (5.5)	(7.9)	$(145.4)	$ (624.5)

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

Notes to Consolidated Financial Statements

1. Description of Business and Significant Accounting Policies

Description of Business — Cincinnati Bell Inc. (the "Company") provides diversified telecommunications services through businesses in five segments: Local, Wireless, Hardware and Managed Services, Other and Broadband. During the first quarter of 2002, the Company sold substantially all of the assets of Cincinnati Bell Directory ("CBD"), which was previously reported in the Other segment. During the second and third quarter of 2003, the Company sold substantially all of the assets of the broadband business, which is reported in the Broadband segment. These assets were held by the Company's wholly owned subsidiary, BRCOM (f/k/a Broadwing Communications Inc.). Refer to Note 2 for a detailed discussion of the sale.

Basis of Presentation — The consolidated financial statements of the Company have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") in accordance with generally accepted accounting principles. Certain prior year amounts have been reclassified to conform to the current classifications.

The Company realigned its business segments during the first quarter of 2004. Cincinnati Bell Technology Solutions Inc. ("CBTS"), a data equipment and managed services subsidiary, was previously reported in the Broadband segment and is now reported in the Hardware and Managed Services segment. Additionally, the telephony equipment and associated installation and maintenance business of Cincinnati Bell Telephone ("CBT"), previously reported in the Local segment, is now included with CBTS in the Hardware and Managed Services segment. Accordingly, the historical results of operations of the Local, Hardware and Managed Services and Broadband segments have been recast to reflect the current segment reporting (refer to Note 18).

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. Significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Use of Estimates — Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

Cash Equivalents — Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less.

Accounts Receivables — Accounts receivable consist principally of trade receivables from customers and are generally unsecured and due within 30 days. Expected credit losses related to trade receivables are recorded as an allowance for uncollectible accounts in the Consolidated Balance Sheets. When internal collection efforts on accounts have been exhausted, the accounts are written off by reducing the allowance for uncollectible accounts.

Unbilled Receivables — Unbilled receivables arise from services rendered but not yet billed. As of December 31, 2004 and 2003, unbilled receivables, net of allowances, totaled $25.4 million and $23.4 million, respectively.

Allowance for Uncollectible Accounts Receivable — The Company establishes the allowances for uncollectible accounts using both percentages of aged accounts receivable balances to reflect the historical average of credit losses and specific provisions for certain large, potentially uncollectible balances. The Company believes that its allowance for uncollectible accounts is adequate based on the described above methods. However, if one or more of the Company's larger customers were to default on its accounts receivable obligations, or general economic conditions in the Company's markets deteriorated, the Company could be exposed to potentially significant losses in excess of the provisions established.

Materials and Supplies — Materials and supplies consist of wireless handsets, wireline network components and other materials and supplies, which are carried at the lower of average cost or market.

Property, Plant and Equipment — As of December 31, 2004, the Company had property, plant and equipment with a net carrying value of $851.1 million. The gross value of property, plant and equipment is stated at cost net of asset impairments. The Company's provision for depreciation of telephone plant is determined on a straight-line basis using the whole life and remaining life methods. Provision for depreciation of other property, other than leasehold improvements, is based on the straight-line method over the estimated economic useful life. Depreciation of leasehold improvements is based on a straight-line method over the lesser of the economic useful life or term of the lease, including option renewal periods if renewal of the lease is reasonably assured. Repairs and maintenance expense items are charged to expense as incurred. Beginning in 2003, in connection with the adoption of Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143") (discussed below), the cost of removal for telephone plant was included in costs of products and services as incurred.

During the fourth quarter of 2003, the Company revised the estimated economic useful life of its wireless TDMA network due to the implementation of and expected migration to its GSM/GPRS network. The Company shortened its estimate of the economic useful life of its TDMA network to December 31, 2006. In 2003, the change in estimate reduced operating income and net income by $5.2 million and $3.4 million, respectively. In 2003, basic and diluted earnings per share were decreased by $0.02 and $0.01, respectively, as a result of this change in estimate.

During 2004, the Company retired certain assets with a net book value of $3.5 million and recorded the charge in the Consolidated Statements of Operations and Comprehensive Income (Loss) under the caption "Asset impairments and other charges".

Goodwill and Indefinite-Lived Intangible Assets — Goodwill represents the excess of the purchase price consideration over the fair value of assets acquired recorded in connection with purchase business combinations. Indefinite-lived intangible assets consist primarily of Federal Communications Commission ("FCC") licenses for spectrum of the Wireless segment. The Company determined its wireless licenses met the definition of indefinite-lived intangible assets under Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") as the Company believes the need for wireless spectrum will continue independently of technology and the Company may renew the wireless licenses in a routine manner every ten years for a nominal fee, provided the Company continues to meet the service and geographic coverage provisions required by the FCC. Upon the adoption of SFAS 142 on January 1, 2002, the Company recorded a goodwill impairment charge of $2,008.7 million, net of tax, as a cumulative effect of change in accounting principle, related to the Broadband segment and ceased amortization of remaining goodwill and indefinite-lived intangible assets as discussed in Note 4.

Pursuant to SFAS 142, goodwill and intangible assets not subject to amortization are tested for impairment annually, or when events or changes in circumstances indicate that the asset might be impaired. For goodwill, a two-step impairment test is performed. The first step compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying value of a reporting unit exceeds its fair value, the second step of the impairment test is performed to measure the amount of impairment loss. The second step compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. The implied fair value is determined by allocating the fair value of a reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination. The excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. If the carrying amount of the reporting unit goodwill is in excess of the implied fair value of that goodwill, then an impairment loss is recognized equal to that excess. For indefinite-lived intangible assets, the impairment test consists of a comparison of the fair value of the intangible asset with its carrying value. If the carrying value of an indefinite-lived asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

Impairment of Long-lived Assets, Other than Goodwill and Indefinite-Lived Intangibles — The Company reviews the carrying value of long-lived assets, other than goodwill and indefinite-lived 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 are less than its carrying amount. An impairment loss is measured as the amount by which the asset's carrying value exceeds its fair value.

During the fourth quarter of 2002, the Company completed an impairment assessment of its Broadband segment's long-lived assets as a result of the restructuring plan implemented during the quarter and the strategic alternatives being explored, including the potential sale of the Broadband business. Based on this assessment, the Company recorded a $2,200.0 million non-cash impairment charge to reduce the carrying value of these assets. Of the total charge, $1,901.7 million related to tangible fixed assets and $298.3 million related to finite-lived intangible assets. A component of the Broadband segment is now reported in the Hardware and Managed Services segment. The 2002 impairment charge related to this component was $19.5 million.

The Company recorded a $3.6 million asset impairment in 2003 to write-down the value of its public payphone assets to fair value. The Company calculated the fair value of the assets utilizing a discounted cash flow analysis based on the best estimate of projected cash flows from the underlying assets.

Other Intangible Assets — Intangible assets subject to amortization expense consist primarily of roaming and trade name agreements acquired by the Wireless segment. These intangible assets have historically been amortized on a straight-line basis over their estimated useful lives ranging from 2 to 40 years.

As a result of the merger between Cingular Wireless and AT&T Wireless, consummated on October 26, 2004, the roaming and trade name agreements are no longer operative. Accordingly, the remaining estimated useful lives of these assets were shortened effective July 1, 2004. This change resulted in additional amortization expense of $7.4 million during 2004.

Deferred Financing Costs — Deferred financing costs are costs incurred in connection with obtaining long-term financing. These costs are amortized as interest expense over the terms of the related debt agreements. As of December 31, 2004 and 2003, deferred financing costs totaled $42.1 million and $53.5 million, respectively. The related expense, included in the Consolidated Statements of Operations and Comprehensive Income (Loss) under the caption "Interest expense and other financing costs", amounted to $12.5 million, $33.7 million and $14.6 million during the years ended 2004, 2003 and 2002, respectively.

Asset Retirement Obligations — The Company adopted Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143") as of January 1, 2003. This statement requires entities to record the fair value of a legal liability for an asset retirement obligation in the period it is incurred. The removal cost is initially capitalized and depreciated over the remaining life of the underlying asset. The associated liability is accreted to its present value each period. Once the obligation is ultimately settled, any difference between the final cost and the recorded liability is recognized as income or loss on disposition. The Company determined the Local segment did not have a liability under SFAS 143, while the Wireless segment and Other segment did have a liability.

Although the Local segment has no legal obligation to remove assets, the Company had historically included in the Company group depreciation rates estimated net removal cost associated with these outside plant assets in which estimated cost of removal exceeds gross salvage. These costs had been reflected in the calculation of depreciation expense, which results in greater periodic depreciation expense and the recognition in accumulated depreciation of future removal costs for existing assets. When the assets were actually retired and removal costs were expended, the net removal costs were recorded as a reduction to accumulated depreciation. In connection with the adoption of this standard, the Company removed existing accrued net costs of removal in excess of the related estimated salvage from its accumulated depreciation of those accounts. The adjustment was reflected as a non-recurring increase to net income as a cumulative effect of a change in accounting principle as of January 1, 2003 of $86.3 million, net of tax.

At the same time, the Wireless segment recorded $0.4 million in expense, resulting in a net cumulative change in accounting principle of $85.9 million, net of tax. Additionally, the Company recorded an initial liability for removal costs at fair value of approximately $2.6 million and an asset of approximately $2.3 million in 2003 related to the Wireless and Other segments. During the fourth quarter of 2003, the wireless segment recorded an additional retirement obligation of $1.9 million due to a change in estimate.

The adoption of SFAS 143 had an immaterial pro forma impact on net income for the year ended December 31, 2002. The following table illustrates the activity for the asset retirement obligation during 2004:

(dollars in millions)	Initial Liability	Additions	Accreted Interest	Adjustments	Balance December 31, 2003	Additions	Settlements	Accreted Interest	Adjustments	Balance December 31, 2004
Wireless	$1.8	$ —	$0.2	$1.9	$3.9	$0.5	$ —	$0.2	$0.3	$4.9
Other	0.8	0.1	—	—	0.9	0.1	(0.4)	—	—	0.6
Total	$2.6	$0.1	$0.2	$1.9	$4.8	$0.6	$(0.4)	$0.2	$0.3	$5.5

Investments — The Company invests in certain equity investments, which do not have readily determinable fair market values. These investments are recorded at cost based on specific identification. Investments are periodically reviewed for impairment. If the carrying value of the investment exceeds its fair value and the decline in value is determined to be other-than-temporary, an impairment loss would be recognized for the difference.

Revenue Recognition — The Company recognizes revenue as services are provided. Local access fees are billed monthly, in advance, while revenue is recognized as the services are provided. Postpaid wireless, long distance, switched access, reciprocal compensation and data and Internet product services are billed monthly in arrears, while the revenue is recognized as the services are provided. The Company bills service revenue in regular monthly cycles, which are dispersed throughout the days of the month. Because the day of each billing cycle rarely coincides with the end of the Company's reporting period for usage-based services such as postpaid wireless, long distance and switched access, the Company must estimate service revenues earned but not yet billed. The Company bases its estimates upon historical usage and adjusts these estimates during the period in which the Company can determine actual usage, typically in the following reporting period. These adjustments may have a material impact upon operating results of the Company during the period of the adjustment.

CBT upfront fees for customer connection and activation are deferred and amortized into revenue on a straight-line basis over the average customer life. The related connection and activation costs, to the extent of the upfront fees, are deferred and amortized on a straight-line basis over the average customer life. Subsequent to July 1, 2003 and in accordance with the Emerging Issues Task Force Issue 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables" ("EITF 00-21"), Cincinnati Bell Wireless LLC ("CBW") ceased deferral of revenue and cost related to customer connections and activations. As CBW does not require customer contracts and sells its services at fair market value, the activation revenue is allocated to and recorded upon the sale of the wireless handset. This change did not have a material impact on the Company's financial position, results of operations, or cash flows.

The Company recognizes equipment revenue generally upon the performance of contractual obligations, such as shipment, delivery, installation or customer acceptance.

Prior to the sale of the broadband assets in the second and third quarters of 2003, broadband transport services were billed monthly, in advance, while revenue was recognized as the services were provided. In addition, the Company had entered into indefeasible right-of-use ("IRU") agreements, which represent the lease of network capacity or dark fiber, recording unearned revenue at the earlier of the acceptance of the applicable portion of the network by the customer or the receipt of cash. The buyer of IRU services typically paid cash or other consideration upon execution of the contract, and the associated IRU revenue was recognized over the life of the agreement as services were provided, beginning on the date of customer acceptance. In the event the buyer of an IRU terminated a contract prior to the contract expiration and released the Company from the obligation to provide future services, the remaining unamortized unearned revenue was recognized in the period in which the contract was terminated. The Company generated $59.4 million and $204.8 million in non-cash IRU revenue in 2003 and 2002, respectively. Concurrent with the broadband asset sale, substantially all of the remaining IRU obligations were assumed by the buyer of the broadband assets.

Pricing of local 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 adjustments to revenue in future periods. The Company monitors these proceedings closely and adjusts revenue accordingly.

Advertising — Costs related to advertising are expensed as incurred and amounted to $25 million, $21 million and $14 million in 2004, 2003 and 2002, respectively.

Legal Expenses — Legal costs incurred in connection with loss contingencies are expensed as incurred.

Fiber Exchange Agreements — In connection with the development of its optical network, the Company's Broadband segment entered into various agreements to exchange fiber usage rights. The Company accounted for agreements with other carriers to either exchange fiber asset service contracts for capacity or services based on the carrying value of the assets exchanged. Concurrent with the broadband asset sale in 2003, all remaining fiber exchange agreements were assumed by the buyer (Refer to Note 2 for a detailed discussion of the sale).

Income Taxes — The income tax provision consists of an amount for taxes currently payable and an amount for tax consequences deferred to future periods. Deferred investment tax credits are being amortized as a reduction of the provision for income taxes over the estimated useful lives of the related property, plant and equipment. As of December 31, 2004, the Company had $707.8 million in net deferred tax assets. 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.

Stock-Based Compensation — The Company accounts for stock-based compensation plans under the recognition and measurement principles of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and related interpretations. Compensation cost is measured under the intrinsic value method. Stock-based employee compensation cost is not reflected in net income (loss), as all options granted under these plans had an exercise price equal to the market value of the underlying common stock on the date of grant. If the Company had applied the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), the expense, net of tax, that would have been recognized totaled $8.3 million, $35.4 million and $30.1 million in 2004, 2003 and 2002, respectively. The following table illustrates the effect on net income (loss) and basic and diluted earnings (loss) per share if the Company had applied the fair value recognition provisions of SFAS 123, to stock-based employee compensation in all periods presented.

	Year ended December 31		
(dollars in millions except per share amounts)	**2004**	**2003**	**2002**
Net income (loss)			
As reported	$64.2	$1,331.9	$(4,240.3)
Pro forma determined under fair value, net of related taxes	$55.9	$1,296.5	$(4,270.4)
Basic earnings (loss) per common share:			
As reported	$0.22	$ 5.82	$ (19.47)
Pro forma determined under fair value, net of related taxes	$0.19	$ 5.67	$ (19.60)
Numerator for diluted earnings (loss) per share:			
As reported	$53.8	$1,356.7	$(4,250.7)
Pro forma determined under fair value, net of related taxes	$45.5	$1,321.3	$(4,280.8)
Diluted earnings (loss) per share:			
As reported	$0.21	$ 5.36	$ (19.47)
Pro forma determined under fair value, net of related taxes	$0.18	$ 5.24	$ (19.60)

The weighted average fair values at the date of grant for the Company options granted to employees were $0.92, $1.49 and $2.76 during 2004, 2003 and 2002, respectively. Such amounts were estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2004	2003	2002
Expected volatility	35.0%	35.0%	120.7%
Risk-free interest rate	2.9%	2.2%	3.1%
Expected holding period — years	3	3	3

Derivative Financial Instruments — Because the Company is exposed to the impact of interest rate fluctuations, primarily in the form of variable rate borrowings from its credit facility and changes in current rates compared to that of its fixed rate debt, the Company sometimes employs derivative financial instruments to manage its exposure to these fluctuations and its total interest expense over time. The Company does not hold or issue derivative financial instruments for trading purposes or enter into interest rate transactions for speculative purposes. Interest rate swap agreements, a particular type of derivative financial instrument, involve the exchange of fixed and variable rate interest payments and do not represent an actual exchange of the notional amounts between the parties. In June 2004, the Company entered into a series of interest rate swaps with total notional amounts of $100 million that qualify for fair value hedge accounting and expire in January 2014. The interest rate swaps are designated as fair value hedges of a portion of the 8⅜% Senior subordinated notes due 2014. Fair value hedges are hedges that eliminate the risk of changes in the fair value of underlying assets and liabilities. The interest rate swaps are recorded at their fair value and the carrying value of the 8⅜% Senior subordinated notes due 2014 is adjusted by the same corresponding value in accordance with the shortcut method of Statement of Financial Accounting Standard No. 133, “Accounting for Derivative Instruments and Hedging Activities” (“SFAS 133”). As of December 31, 2004, the fair value of interest rate swap contracts was $3.9 million.

Recently Issued Accounting Standards — On December 16, 2004, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 123(R), “Share-Based Payment”, which is a revision of SFAS No. 123 and supersedes APB Opinion No. 25. SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be valued at fair value on the date of grant, and to be expensed over the applicable vesting period. Pro forma disclosure of the income statement effects of share-based payments is no longer an alternative. SFAS No. 123(R) is effective for all stock-based awards granted on or after July 1, 2005. In addition, companies must also recognize compensation expense related to any awards that are not fully vested as of the effective date. Compensation expense for the unvested awards will be measured based on the fair value of the awards previously calculated in developing the pro forma disclosures in accordance with the provisions of SFAS No. 123. Although the Company is still evaluating the impact of adopting SFAS 123(R) on its consolidated results of operations, the Company expects the impact will be material.

In May 2004, the FASB issued FASB Staff Position (“FSP”) No. FAS 106-2, “Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003” (“FSP 106-2”). FSP 106-2 provides guidance on accounting for the effects of the new Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the “Act”) by employers whose prescription drug benefits are actuarially equivalent to the drug benefit under Medicare Part D. FSP 106-2 is effective as of the first interim period beginning after June 15, 2004. The Company adopted FSP 106-2 during the third quarter of 2004, which reduced postretirement medical expense by $1.1 million and reduced the postretirement benefit obligation by $10.3 million in 2004. The reduction in postretirement expense for 2004 was comprised of a $0.6 million benefit related to interest cost and a $0.5 million benefit in the amortization of the actuarial loss.

2. Sale of Broadband Assets

During 2003, certain of BRCOM’s subsidiaries sold substantially all of their operating assets. The buyer paid a cash purchase price of $82.7 million of which $62.2 million was received in the second quarter of 2003 and the remaining $20.5 million was received in the third quarter of 2003. The Company recorded a gain on sale of broadband assets of $336.7 million, which was comprised of $299.0 million recorded in the second quarter of 2003 and the remaining $37.7 million was realized in the third quarter of 2003. The selling subsidiaries also received a 3% equity interest in the buyer. The following table summarizes the components of the gain on sale (dollars in millions):

Gain on Sale of Broadband Assets	
Cash proceeds received	$ 82.7
Less: Assets sold to buyer	
Accounts receivable	73.8
Property, plant and equipment	49.0
Prepaid expenses and other current assets	20.1
Total assets sold to buyer	142.9
Add: Liabilities assumed by buyer	
Accounts payable and accrued cost of service	58.1
Unearned revenue	321.4
Other liabilities	10.7
Total liabilities assumed by buyer	390.2
Adjustments for income and other tax reserves	31.1
Net fees, purchase price adjustments, pension curtailment, and indemnification liabilities	(24.4)
Gain on sale of broadband assets	$336.7

The adjustment to income tax reserves primarily relates to certain liabilities recorded in connection with the purchase of the broadband business in 1999 and are no longer considered necessary. In connection with the purchase agreement, the Company agreed to deliver a parent guaranty in favor of the buyers, guaranteeing (1) all payments required to be made by the BRCOM selling subsidiaries under the purchase agreement and (2) the performance and observance and compliance with all covenants, agreements, obligations, liabilities, representations and warranties of the BRCOM selling subsidiaries under the purchase agreement.

The Company has indemnified the buyers of the broadband business against certain potential claims. In order to determine the fair value of the indemnity obligation, the Company performed a probability-weighted discounted cash flow analysis, utilizing the minimum and maximum potential claims and several scenarios within the range of possibilities. Such analysis originally resulted in an estimated fair value of the indemnity obligation of $7.8 million, which was included in other liabilities and was reflected as a reduction of the gain on sale of broadband assets in the Consolidated Statement of Operations and Comprehensive Income (Loss) for the period ended December 31, 2003. During the fourth quarter of 2004, the Company decreased the liability related to the indemnity obligation to $4.1 million and recorded $3.7 million as a gain on sale of broadband assets in the Consolidated Statement of Operations and Comprehensive Income (Loss).

In accordance with the Purchase Agreement, the buyer of the broadband business provided the BRCOM selling subsidiaries with a calculation of cash EBITDA (as defined in the Purchase Agreement) minus capital expenditures for the broadband business for the period from July 1, 2003 to July 1, 2004. If annual cash EBITDA minus capital expenditures for such period was negative $48.0 million or less, the BRCOM selling subsidiaries were required to pay to the buyers an amount equal to 35% of the difference between negative $48.0 million and the amount of annual cash EBITDA minus capital expenditures, provided that the obligation for such reimbursement did not exceed $10 million. The Company previously recorded a $10.0 million liability related to this purchase price adjustment. On July 30, 2004, the Company received notice from the buyer contending that it was owed the full $10.0 million reimbursement. On November 3, 2004, the Company paid the buyer $10.0 million in full satisfaction of this last remaining purchase price adjustment.

In addition, the Company entered into agreements with the buyer whereby the Company will continue to market the buyer's broadband products to business customers. The Company is committed for four years from the date of the sale to purchase capacity on the buyer's national network in order to sell long distance services under the Cincinnati Bell Any Distance ("CBAD") brand to residential and business customers in the Greater Cincinnati and Dayton area markets, subject to an annual competitive bidding process. Due to the ongoing cash flows under these arrangements, the sale of substantially all the broadband assets did not meet the criteria for presentation as a discontinued operation under SFAS 144.

3. Senior Executive Bonuses and Termination Benefits

During 2003, the Company recorded a charge of $11.2 million related to four senior executives for certain success-based incentives and termination benefits in accordance with their employment contracts, including all of the benefits related to its former Chief Executive Officer who resigned effective July 31, 2003. Substantially all of these benefits were paid upon termination. The charge was required as the success plan, as defined in the senior executive employment agreements, was completed upon the first stage closing of the sale of substantially all of the broadband assets on June 13, 2003. Three of the senior executives, excluding the former Chief Executive Officer, were required to remain with the Company for 180 days following the completion of the success plan. The charge included $0.8 million of non-cash expenses related to the accelerated vesting of stock options.

4. Goodwill and Intangible Assets

As previously discussed in Note 1, the Company adopted SFAS 142 on January 1, 2002. The Company completed the initial impairment test for its Wireless and Broadband segments (parts of which were later moved to the Hardware and Managed Services segment) during the first quarter of 2002, which indicated that the goodwill of its Broadband and Hardware and Managed Services segments was impaired as of January 1, 2002. An impairment charge of $2,008.7 million, net of taxes, was recorded as of January 1, 2002. The impairment charge is reflected as a cumulative effect of change in accounting principle, net of taxes, in the Consolidated Statements of Operations and Comprehensive Income (Loss). As of December 31, 2004 and December 31, 2003, goodwill totaled $40.9 million, of which $40.1 million related to the Wireless segment and the remaining $0.8 million related to the Other segment.

The following table details the components of the carrying amount of other intangible assets. Indefinite-lived intangible assets consist of FCC licenses of the Wireless segment. Intangible assets subject to amortization consist of licensed trademarks and wireless roaming agreements. As a result of the merger between Cingular Wireless and AT&T Wireless, consummated on October 26, 2004, the roaming and trade name agreements were no longer operative. Accordingly, the remaining estimated useful lives of these assets were shortened effective July 1, 2004. This change resulted in additional amortization expense of $7.4 million during 2004. In addition, during the third quarter of 2004, the Company determined certain intangible assets were impaired and recorded a charge of $2.4 million in the Consolidated Statements of Operations and Comprehensive Income (Loss) under the caption "Asset impairments and other charges":

	December 31,	
(dollars in millions)	2004	2003
Indefinite-lived intangible assets, excluding goodwill	$ 35.7	$35.7
Intangible assets subject to amortization:		
Gross carrying amount	11.6	14.3
Accumulated amortization	(11.5)	(2.8)
Net carrying amount	0.1	11.5
Total other intangible assets	$ 35.8	$47.2

	Year Ended December 31,		
	2004	2003	2002
Amortization expense of finite-lived other intangible assets	$9.1	$0.6	$25.3

The estimated intangible asset amortization expense for each of the fiscal years 2005 through 2009 is zero.

5. Restructuring and Other Charges

December 2004 Restructuring Plan

In December 2004, the Company initiated a restructuring intended to improve operating efficiencies and reduce operating expenses. The plan includes a workforce reduction that will be implemented in stages, which began in the fourth quarter 2004 and will continue in stages through December 31, 2006. The workforce reductions will be accomplished primarily through attrition and voluntary retirement incentives. The Company estimates it will eliminate 150 to 200 positions by December 31, 2005 and as many as 400 positions in total by December 31, 2006. The restructuring charge of $11.2 million was comprised of $10.5 million in special termination benefits and $0.7 million in employee separation benefits. Refer to Note 14 for further discussion on special termination benefits.

The Local, Wireless and Hardware and Managed Services segments incurred charges of $10.5 million, $0.1 million and $0.6 million, respectively. The Company has paid all the employee separation benefits in cash, of which $0.3 million was paid in 2004.

The following table illustrates the activity in this reserve since inception:

Type of costs (dollars in millions)	Charge	Utilizations	2004
Employee separations	$0.7	$(0.3)	$0.4
Total	$0.7	$(0.3)	$0.4

This restructuring reserve balance is included in "Other current liabilities" in the Consolidated Balance Sheet at December 31, 2004.

December 2003 Restructuring Charge

In December 2003, the Company initiated a restructuring intended to reduce future operating expenses by approximately $9.1 million annually compared to 2003. The restructuring charge of $4.6 million related to employee separation benefits, all of which will be paid in cash. The plan included initiatives to reduce the workforce by 106 positions. The Local segment and the Hardware and Managed Services segment recorded expense of $4.5 million and $0.1 million, respectively. During the first quarter of 2004, the Local segment recorded an additional restructuring charge of $0.2 million. Total cash expenditures during 2004 amounted to $2.0 million. The Company completed the restructuring during the fourth quarter of 2004.

The following table illustrates the activity in this reserve since inception:

Type of costs (dollars in millions)	Initial Charge	Utilizations	Balance December 31, 2003	Utilizations	Adjustments	Balance December 31, 2004
Employee separations	$4.6	$(2.7)	$1.9	$(2.1)	$0.2	$—
Total	$4.6	$(2.7)	$1.9	$(2.1)	$0.2	$—

This restructuring reserve balance was included in "Other current liabilities" in the Consolidated Balance Sheet at December 31, 2003.

November 2001 Restructuring Plan

In November 2001, the Company adopted a restructuring plan which included initiatives to consolidate data centers, reduce the Company's expense structure, exit the network construction business, eliminate other nonstrategic operations and merge the digital subscriber line ("DSL") and certain dial-up Internet operations into the Company's other operations. Total restructuring and impairment costs of $232.3 million were recorded in 2001 related to these initiatives. The $232.3 million consisted of restructuring liabilities in the amount of $84.2 million and related non-cash asset impairments in the amount of $148.1 million. The restructuring charge comprised $21.4 million related to involuntary employee separation benefits, $62.5 million related to lease and other contractual terminations and $0.3 million relating to other exit costs.

During the first quarter of 2002, the Company recorded additional restructuring charges of $16.5 million resulting from employee separation benefits of $1.0 million and costs to terminate contractual obligations and other exit costs of $15.5 million, which were actions contemplated in the original plan but for which an amount could not be reasonably estimated at that time. During the fourth quarter of 2002, a $1.0 million reversal was made to the restructuring reserve due to a change in estimate related to the termination of contractual obligations. During the third quarter of 2003, a $1.2 million reversal was made to the restructuring reserve to reduce contractual obligations as a result of the sale of the broadband business and was recorded as a component of the gain on sale of broadband assets. During the fourth quarter of 2003, a $4.1 million reversal was made to the restructuring reserve due to the settlement of certain obligations and a change in estimate related to the termination of contractual obligations. In total, the Company expects this restructuring plan to result in cash outlays of $89.4 million and non-cash items of $153.1 million. The Company completed the plan as of December 31, 2002, except for certain lease obligations, which are expected to continue through June 2015.

The restructuring costs include the cost of involuntary employee separation benefits, including severance, medical and other benefits, related to 863 employees across all areas of the Company. As of December 31, 2002, all employee separations had been completed which utilized reserves of $22.4 million, $17.6 million of which was paid in cash. Cash expenditures for termination of contractual obligations in 2004 amounted to $3.9 million. During the fourth quarter of 2004, a $0.2 million increase was made to the restructuring reserve due to a change in estimate related to the remaining contractual obligations.

In connection with the restructuring plan, the Company performed a review of its long-lived assets to identify any potential impairments in accordance with Statement of Financial Accounting Standard No. 121, "Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS 121"). As a result, the Company recorded a $148.1 million asset impairment charge related to the closing of data centers, consolidation of office space and curtailment of other Company operations.

The following table illustrates the activity in this reserve from November of 2001 through December 31, 2002:

Type of costs ($ in millions):	Initial Charge	Utilizations	Balance December 31, 2001	Utilizations	Adjustments	Balance December 31, 2002
Employee separations	$21.4	$ (7.8)	$13.6	$(14.6)	$ 1.0	$ —
Terminate contractual obligations	62.5	(2.4)	60.1	(42.4)	14.4	32.1
Other exit costs	0.3	—	0.3	(0.4)	0.1	—
Total	$84.2	$(10.2)	$74.0	$(57.4)	$15.5	$32.1

The following table illustrates the activity in this reserve from December 31, 2002 through December 31, 2004:

Type of costs ($ in millions):	Balance December 31, 2002	Utilizations	Adjustments	Balance December 31, 2003	Utilizations	Adjustments	Balance December 31, 2004
Terminate contractual obligations	$32.1	$(13.0)	$(5.3)	13.8	(3.9)	0.2	10.1
Total	$32.1	$(13.0)	$(5.3)	$13.8	$(3.9)	$0.2	$10.1

At December 31, 2004 and 2003, $0.7 million and $2.3 million, respectively, of the restructuring reserve balance was included in "Other current liabilities" in the Consolidated Balance Sheet. At December 31, 2004 and 2003, $9.4 million and $11.5 million, respectively, of the restructuring reserve balance was included in "Other noncurrent liabilities" in the Consolidated Balance Sheet.

6. Investments

Investments in Marketable Securities

On November 2, 2001, Anthem Inc. ("Anthem"), a mutual insurance company in which the Company held various medical and vision insurance policies for coverage of its employees, converted from a mutual company to a publicly owned company in a transaction known as a demutualization. As a mutual company, the owners of Anthem were the policyholders. Upon demutualization, the Company received 459,223 shares, which represented the Company's ownership interest in the newly created stock enterprise. In 2001, the Company recorded a gain of $19.7 million based on the fair market value of the stock on the date of receipt and an additional $3.0 million through December 31, 2001 as a result of increases in the stock price. These amounts are included in the Consolidated Statements of Operations and Comprehensive Income (Loss) under the heading "Other income, net." In January 2002, the Company sold its entire investment in Anthem generating cash proceeds of $23.3 million and an additional gain of $0.6 million.

Investments in Other Securities

The Company periodically enters into certain equity investments for the promotion of business and strategic objectives. A portion of these investments is in securities, which do not have readily determinable fair market values. These investments are recorded at cost based on specific identification. The carrying value of cost method investments was approximately $3.4 million and $4.2 million as of December 31, 2004 and 2003, respectively. The Company reviews these investments on a regular basis using external valuations and cash flow forecasts as factors in determining the existence of an "other than temporary" impairment. In the fourth quarter of 2002, the Company recorded a loss of $11.2 million on a cost based investment as the investment was determined to be "other than temporarily" impaired. In 2003, the Company received $3.8 million from the sale of this cost basis investment. During 2004, the Company received a return on capital on an investment and recorded $3.2 million in the Consolidated Statements of Operations and Comprehensive Income (Loss) under the heading "Other income, net."

7. Debt

The Company's debt consisted of the following as of the dates below:

	December 31,	
(dollars in millions)	2004	2003
Current portion of long-term debt:		
Credit facilities, current portion	$ 4.3	$ 5.3
Current maturities of capital lease obligations	4.2	5.3
Current maturities of Cincinnati Bell Telephone notes	20.0	—
Other short-term debt	1.6	2.7
Total current portion of long-term debt	$ 30.1	$ 13.3
Long-term debt, less current portion:		
Credit facilities, net of current portion	$ 434.5	$ 603.1
7¼% Senior notes due 2023	50.0	50.0
Capital lease obligations, net of current portion	11.4	12.9
7¼% Senior notes due 2013	500.0	500.0
Various Cincinnati Bell Telephone notes, net of current portion	230.0	250.0
16% Senior subordinated discount notes	375.2	360.6
8⅜% Senior subordinated notes*	543.9	540.0
Total long-term debt, less current portion	2,145.0	2,316.6
Less unamortized discount	(33.9)	(42.1)
Total long-term debt, less current portion and net of unamortized discount	$2,111.1	$2,274.5
Total debt	$2,141.2	$2,287.8

* The face amount of these notes has been adjusted to mark hedged debt to fair value at December 31, 2004.

Average balances of current maturities of long-term debt and related interest rates for the last three years are as follows:

Form 10-K

(dollars in millions)	2004	2003	2002
Average amounts of current maturities of long-term debt outstanding during the year*	$13.0	$186.4	$ 87.7
Maximum amounts of current maturities of long-term debt at any month-end during the year	$30.1	$357.1	$203.7
Weighted average interest rate during the year**	4.2%	5.0%	4.4%

* Amounts represent the average month-end face amount of notes.

** Weighted average interest rates are computed by multiplying the average monthly interest rate by the month-end face amount of the notes.

The following discussion addresses the status of the Company's credit facility and other outstanding indebtedness as of December 31, 2004. The Company has since commenced the first stage of its refinancing plan, the primary objective of which is to provide for financial flexibility with regard to the future extinguishment of its 16% Senior Subordinated Discount Notes due 2009, which are callable at 108% of accreted value on March 26, 2006. A general discussion of the changes to the Company's debt structure resulting from this refinancing plan is provided in Note 23 of the Notes to Consolidated Financial Statements.

Credit Facilities

General

As a result of the issuance of the 16% notes, the 7¼% Senior notes due 2013, the 8⅜% notes due 2014, scheduled and optional repayments, and the Company's $90.0 million permanent prepayment of credit facility term loans during 2004, the total capacity available under its credit facilities was reduced to $825.7 million as of December 31, 2004, which consisted of $396.9 million in revolving credit and $428.8 million in term loans. Of this total capacity, the Company had drawn $10.0 million and $428.8 million in revolving and term debt, respectively, and had outstanding letters of credit totaling $9.1 million, leaving $377.8 million in additional borrowing availability under the credit facility.

Interest Rates

The average interest rate charged on borrowings under the revolving and term credit facilities was 4.04% in 2004 versus 4.95% in 2003, which during 2004 was based upon 4.25% and 2.50% above the London Interbank Offered Rate ("LIBOR"), respectively.

Fees

The Company pays commitment fees to the lenders quarterly on the undrawn portions of its commitments which fees were at an annual rate equal to 0.625% of the unused amount of borrowings on the revolving credit facility. Additionally, the Company pays letter of credit fees on the available amount under all outstanding letters of credit equal to the margin payable on LIBOR loans under the revolving facility and pays a fee to each issuing bank of 0.25% per annum of its letter of credit commitment and customary fees for the issuance of letters of credit. These commitment fees were $2.8 million, $2.2 million and $1.1 million in 2004, 2003 and 2002, respectively.

Prepayments

Voluntary prepayments of borrowings under the credit facilities and voluntary reductions of the unutilized parts of the credit facilities' commitments are, subject to proper notice, permitted at any time.

Guarantees

The Company and its subsidiaries (other than CBT, CBET, certain immaterial subsidiaries, and CBW, so long as it is not wholly owned) guarantee borrowings made by Cincinnati Bell Inc. under the credit facilities.

Security

The Company's obligations under the new credit facilities are collateralized by perfected first priority pledges and security interests in the following:

(1) substantially all of the equity interests of the Company's subsidiaries (other than CBT, CBET, certain immaterial subsidiaries, and CBW, so long as it is not wholly owned) and

(2) certain personal property and intellectual property of the Company and its subsidiaries (other than CBT, CBET, certain immaterial subsidiaries, and CBW, so long as it is not wholly owned). As of December 31, 2004 and 2003 the carrying value of these pledged assets, excluding investment and advances in subsidiaries, amounted to $1,891.1 million and $1,372.3 million, respectively. The value of the assets pledged substantially relates to deferred tax assets and intercompany accounts receivable.

Covenants

The Company is subject to financial covenants in association with the credit facilities. These financial covenants require the Company to maintain certain debt to EBITDA (as defined in the credit facility agreement), senior secured debt to EBITDA, interest coverage ratios and fixed charge ratio. The facilities also contain certain covenants which, among other things, may restrict the Company's ability to incur additional debt or liens, pay dividends, repurchase Company common stock, sell, transfer, lease, or dispose of assets and make investments or merge with another company. If the Company were to violate any of its covenants and was unable to obtain a waiver, it would be considered a default and no additional borrowings under the credit facilities would be available until the default was waived or cured. The Company was in compliance with all covenants set forth in its credit facilities and the indentures governing its other debt as of December 31, 2004.

Events of Default

The credit facilities provide for events of default customary to facilities of this type, including non-payment of principal, interest or other amounts; incorrectness of representations and warranties in any material respect; violation of covenants; cross-default and cross-acceleration; certain events of bankruptcy or insolvency; certain material judgments; invalidity of any loan or security document; change of control and certain ERISA events.

7¼% Senior Notes Due 2023

In July 1993, the Company issued $50.0 million of 7¼% Senior notes due 2023 (the "7¼% Senior notes due 2023"). The indenture related to these 7¼% Senior notes due 2023 does not subject the Company to restrictive financial covenants. However, the indenture governing the 7¼% Senior notes due 2023 contains a covenant that provides that if the Company incurs certain liens on its property or assets, the Company must secure the outstanding notes equally and ratably with the indebtedness or obligations secured by such liens. The 7¼% Senior notes due 2023 are collateralized with assets of the Company (but not its subsidiaries) by virtue of the lien granted under the Company's credit facilities. As of December 31, 2004, $50.0 million in aggregate principal amount of the 7¼% Senior notes due 2023 remains outstanding. Interest on the 7¼% Senior notes due 2023 is payable semi-annually on June 15 and December 15. The 7¼% Senior notes due 2023 may not be redeemed by the Company prior to maturity. The indenture governing 7¼% Senior notes due 2023 provides for an event of default upon the default and acceleration of any other existing debt instrument indebtedness which exceeds $20.0 million. For each of the years ended December 31, 2004, 2003 and 2002 the Company recorded $3.6 million of cash interest expense related to the 7¼% Senior notes due 2023.

Capital Lease Obligations

The Company leases facilities and equipment used in its operations, some of which are required to be capitalized in accordance with Statement of Financial Accounting Standards No. 13, "Accounting for Leases" ("SFAS 13"). SFAS 13 requires the capitalization of leases meeting certain criteria, with the related asset being recorded in property, plant and equipment and an offsetting amount recorded as a liability discounted to the present value. The Company had $15.6 million in total indebtedness relating to capitalized leases as of December 31, 2004, $11.4 million of which was considered long-term. The Company recorded a gain of $10.0 million in the fourth quarter of 2003 included in "Other income, net" in the Consolidated Statements of Operations and Comprehensive Income (Loss) due to the modification of a capital lease for the Company's headquarters. This modification required the lease to be reclassified from a capital lease to an operating lease. This modification reduced capital lease obligations and related accrued interest by $14.0 million and gross fixed assets by $6.2 million. For the years ended December 31, 2004, 2003 and 2002 the Company recorded $1.6 million, $4.0 million and $5.0 million, respectively, of cash interest expense related to capital lease obligations.

7¼% Senior Notes Due 2013

On July 11, 2003, the Company issued $500.0 million of 7¼% Senior unsecured notes due 2013 (the "7¼% Senior notes due 2013"). Net proceeds totaled $488.8 million and were used to prepay term credit facilities and permanently reduce commitments under the Company's revolving credit facility. As a result, the Company recorded a non-cash charge of $8.4 million during the third quarter of 2003 to "Interest expense and other financing costs" to write-off deferred financing costs related to the Company's existing credit facilities. Interest on the 7¼% Senior notes due 2013 is payable in cash semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 2004. The 7¼% Senior notes due 2013 are unsecured obligations and rank equally with all of the Company's existing and future senior debt and rank senior to all existing and future subordinated debt as of the date of issuance. The indenture governing the 7¼% Senior notes due 2013 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; indebtedness; asset dispositions; transactions with affiliates; liens; investments; issuances and sales of capital stock of subsidiaries; redemption of debt that is junior in right of payment; issuances of senior subordinated debt. The indenture governing 7¼% Senior notes due 2013 provides for an event of default upon the default and acceleration of any other existing debt instrument which exceeds $20.0 million. The Company may redeem the 7¼% Senior Notes due 2013 for a redemption price of 103.625%, 102.417%, 101.208%, and 100.000% after July 15, 2008, 2009, 2010, and 2011, respectively. For the years ended December 31, 2004 and 2003, the Company recorded $36.2 million and $17.1 million, respectively, of cash interest expense related to the senior notes. In January 2005, the indenture governing the 7¼% Senior notes due 2013 (the "7¼% Indenture") was amended to, among other things, permit the Company to repurchase or redeem the 16% notes without regard to the extent of the Company's ability to make restricted payments (as defined in the 7¼% Indenture) under the restricted payments covenant of the 7¼% Indenture.

Certain terms and conditions pertaining to these notes have been altered as a result of a consent process undertaken as part of the first stage of the Company's 2005 refinancing plan. Refer to Note 23.

Other Short-Term Debt

The Company maintains a short-term revolving vendor financing arrangement for its information technology consulting business, which had an outstanding balance of $1.6 million and $2.7 million as of December 31, 2004 and 2003, respectively. The Company has the ability to borrow up to $2.0 million under this arrangement, which is secured by an irrevocable $2.0 million letter of credit against its revolving credit facility. The interest rate charged on the borrowings not repaid within terms of the financing arrangement is variable based on the prime rate and was prime plus 6.0% during 2004 and 2003.

Cincinnati Bell Telephone Notes

CBT has $100.0 million in notes outstanding that are guaranteed by Cincinnati Bell Inc. but not the other subsidiaries of Cincinnati Bell Inc. These notes have original maturities of up to 30 years and mature at various intervals between 2005 and 2028. Interest rates on this indebtedness range from 6.33% to 7.27%. These notes may be redeemed at any time, subject to proper notice.

In November 1998, CBT issued $150.0 million in aggregate principal amount of 6.30% unsecured senior notes due 2028 (the "6.30% notes"), which are not guaranteed. These notes may be redeemed at any time, subject to proper notice.

The indenture governing these notes provides for an event of default upon a default and associated right to acceleration of any other existing debt instrument of Cincinnati Bell Inc. or Cincinnati Bell Telephone, which exceeds \$20.0 million. For the years ended December 31, 2004, 2003 and 2002 the Company recorded \$16.5 million, \$17.7 million and \$18.4 million, respectively, of cash interest expense related to these CBT notes.

16% Senior Subordinated Discount Notes

On March 26, 2003, the Company received \$350.0 million of gross cash proceeds from the issuance of the 16% Senior Subordinated Discount notes due 2009 (the "16% notes"). Proceeds from the 16% notes, net of fees, were used to pay down borrowings under the Company's credit facilities. Interest on the 16% notes is payable semi-annually on each of June 30 and December 31 of 2003 through 2006 and then on each of June 30, 2007, January 20, 2008 and on the maturity date of January 20, 2009, whereby 12% is paid in cash and 4% is accreted on the aggregate principal amount. In addition, purchasers of the 16% notes received 17.5 million common stock warrants, subject to antidilution provisions, each to purchase one share of Cincinnati Bell common stock at \$3.00 each, which expire in March 2013. Of the total gross proceeds received, \$47.5 million was allocated to the fair value of the warrants using the Black-Scholes option-pricing model and was recorded as a discount on the 16% notes. The effective interest rate for the 16% notes is 23.8% due to the discount upon issuance and accretion of the principal amount. Excluding the discount on the 16% notes, the effective interest rate is 19.0%. In 2004 and 2003, the Company recognized \$8.2 million and \$6.3 million, respectively, of non-cash interest expense related to the amortization of the discount. Through December 31, 2004 and since inception, the Company has recorded \$25.2 million in cumulative, non-cash interest expense and has adjusted the carrying amount of the debt accordingly. The Company incurred \$43.7 million and \$32.0 million of cash interest expense related to these notes in 2004 and 2003, respectively. The Company may redeem the 16% notes after March 26, 2006 for a redemption price of 108%, after March 26, 2007 for a redemption price of 106%, after March 26, 2008 for a redemption price of 104%, and for the principal amount of the notes at maturity on January 20, 2009. On any interest payment date prior to March 26, 2006, the Company may redeem the 16% notes for an amount equal to the accreted value plus the make whole premium as defined in the indenture.

The indenture governing the 16% notes provides for an event of default upon the default and acceleration of any other existing debt instrument, which exceeds \$20.0 million.

The indenture governing the 16% 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 its 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; indebtedness; asset dispositions; transactions with affiliates; liens; issuances and sales of capital stock of subsidiaries; issuances of senior subordinated debt; and mergers and consolidations.

In February 2005, the indenture governing the 16% notes was amended to, among other things, eliminate the Company's restrictions relating to BRCOM, the Company's broadband subsidiaries. Certain other terms and conditions pertaining to these notes have been altered as a result of a consent process undertaken as part of the first stage of the Company's 2005 refinancing plan. Refer to Note 23.

8⅜% Senior Subordinated Notes

On November 19, 2003, the Company issued \$540.0 million of 8⅜% Senior Subordinated Notes due 2014 ("the 8⅜% notes"). The net proceeds, after deducting the initial purchasers' discounts and fees and expenses related to the 8⅜% notes totaled \$528.2 million. The Company used \$524.6 million of the net proceeds to purchase all of the Company's then outstanding Convertible Subordinated Notes due 2009, which bore interest at a rate of 9%, at a discounted price equal to 97% of their accreted value. The remaining proceeds were used to pay fees related to the credit facility amendment discussed above and to reduce outstanding borrowings under the revolving credit facility. Interest on the 8⅜% notes is payable in cash semi-annually in arrears on January 15 and July 15, commencing on July 15, 2004. The 8⅜% notes are unsecured senior subordinated obligations, subordinated to all existing and future senior indebtedness of the

Company including the 16% notes. The 8⅜% notes rank equally with all of the Company's future senior subordinated debt and rank senior to all future subordinated debt. The Company's subsidiaries that guarantee the credit facilities also unconditionally guarantee the 8⅜% notes on an unsecured senior subordinated basis. The guarantors' guarantee of the 8⅜% notes rank junior to their guarantee of the 16% notes. The indenture governing the 8⅜% 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; indebtedness; asset dispositions; transactions with affiliates; liens; investments; issuances and sales of capital stock of subsidiaries; redemption of debt that is junior in right of payment. The indenture governing the 8⅜% notes provides for an event of default upon the default and acceleration of any other existing debt instrument, which exceeds $20.0 million. The Company may redeem the 8⅜% notes for a redemption price of 104.188%, 102.792%, 101.396%, and 100.000% after January 15, 2009, 2010, 2011, and 2012, respectively. The Company incurred $45.2 million and $5.2 million of cash interest expense related to these notes in 2004 and 2003, respectively.

On February 16, 2005, as part of first stage of its 2005 refinancing plan, the Company issued an additional $100 million of these 8⅜% notes. Additionally, certain terms and conditions pertaining to these notes may have been altered as a result. Refer to Note 23.

Debt Maturity Schedule

As of December 31, 2004, the following table summarizes the Company's annual maturities of debt and minimum payments under capital leases for the five years subsequent to December 31, 2004, and thereafter:

(dollars in millions)	Debt	Capital Leases	Total Debt
Year of Maturity			
2005	$ 25.9	$ 4.2	$ 30.1
2006	14.3	2.8	17.1
2007	211.2	1.0	212.2
2008	209.0	0.7	209.7
2009	375.2	0.7	375.9
Thereafter	1,323.9	6.2	1,330.1
Total debt	2,159.5	15.6	2,175.1
Less unamortized discount	(33.9)	—	(33.9)
Total debt, net of discount	$2,125.6	$15.6	$2,141.2

The timing of the Company's debt maturities has changed significantly as a result of the implementation of the first stage of the Company's 2005 refinancing plan. Refer to Note 23.

8. Financial Instruments

Interest Rate Contracts

Because the Company is exposed to the impact of interest rate fluctuations, primarily in the form of variable rate borrowings from its credit facility and changes in current rates compared to that of its fixed rate debt, the Company sometimes employs derivative financial instruments to manage its exposure to these fluctuations and its total interest expense over time. The Company does not hold or issue derivative financial instruments for trading purposes or enter into interest rate transactions for speculative purposes. Interest rate swap agreements, a particular type of derivative financial instrument, involve the exchange of fixed and variable rate interest payments and do not represent an actual exchange of the notional amounts between the parties.

In June 2004, the Company entered into a series of interest rate swaps with total notional amounts of $100 million that qualify for fair value hedge accounting and expire in January 2014. The interest rate swaps are designated as fair value hedges of a portion of the 8⅜% senior subordinated notes due 2014. Fair value hedges are hedges that eliminate the risk of changes in the fair value of underlying assets and liabilities. The interest rate swaps are recorded at their fair value and the carrying value of the 8⅜% Senior subordinated notes due 2014 is adjusted by the same corresponding value in accordance with the shortcut method of Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). As of December 31, 2004, the fair value of interest rate swap contracts was $3.9 million.

Prior to 2004, the Company entered into interest rate swaps in order to hedge against movements in the LIBOR rate, which determines the rate of interest paid by the Company on debt obligations under its credit facilities (refer to Note 7). These interest rate swap agreements expired throughout 2003. Realized gains and losses from the interest rate swaps are recognized as an adjustment to interest expense in each period. The Company recorded $6.8 million and $13.3 million in interest expense related to interest rate swap agreements for the years ended December 31, 2003 and 2002, respectively. During 2003, the fair value of the interest rate swaps increased resulting in a year-to-date, after-tax net gain of $4.5 million, which was recognized in OCI.

As a result of the implementation of the first stage of the Company's 2005 refinancing plan, whereby $350 million in fixed coupon debt was issued and used to repay bank debt, the Company executed an additional $350 million in fixed-to-floating interest rate swaps in February 2005. Refer to Note 23.

9. Minority Interest

	December 31,	
(dollars in millions)	2004	2003
Minority interest consists of:		
Minority Interest in Cincinnati Bell Wireless held by Cingular ("AWE")	38.4	39.0
Other	0.8	0.7
Total	$39.2	$39.7

Cingular Wireless Corporation ("Cingular"), through its subsidiary AT&T PCS LLC ("AWE"), maintains a 19.9% ownership in the Company's Wireless subsidiary, Cincinnati Bell Wireless LLC ("CBW"). The minority interest balance is adjusted as a function of AWE's 19.9% share of the net income (or loss) of CBW, with an offsetting amount being reflected in the Consolidated Statements of Operations and Comprehensive Income (Loss) under the caption "Minority interest expense." The operating agreement, which governs the operations of CBW, provides for a three member committee. The Company has the right to appoint all three representatives.

Under the operating agreement the Company can purchase the 19.9% minority interest in CBW prior to January 31, 2006, at any time for $85.0 million plus interest at an annual rate of 5%, compounded monthly, from the date of the agreement. Thereafter the price reduces to $83.0 million, plus 5% annual interest, compounded monthly. Cingular also can sell the minority interest in CBW to the Company for $83.0 million effective January 31, 2006 (or earlier, if the member committee calls for additional capital contributions which call has not been approved by AWE of Cingular), plus 5% annual interest, compounded monthly or at any time if there is a capital call by CBW. In addition, Cingular and CBW are parties to various commercial agreements, including spectrum leases and reciprocal roaming agreements. These roaming agreements provide for a term of five years and a reduction in rates as compared to CBW's previous roaming agreements with Cingular and AWE.

10. Commitments and Contingencies

Lease Commitments and Contractual Obligations

The Company leases certain circuits, facilities and equipment used in its operations. Total operating lease rental expenses were approximately $24.8 million, $19.8 million and $41 million in 2004, 2003 and 2002, respectively. Operating leases include tower site leases that provide for renewal options with fixed rent escalations beyond the initial lease term. In the fourth quarter of 2004, the Company recorded a $3.2 million adjustment related to prior periods to account for certain rent escalations associated with its tower site leases on a straight-line basis. These rent escalations are associated with lease renewal options that were deemed to be reasonably assured of renewal, thereby extending the initial term of the leases. The adjustment was not considered material to the current year or to any prior years' earnings, earnings trends or individual financial statement line items.

At December 31, 2004, the total minimum annual lease commitments and purchase obligations, excluding interest, under noncancelable leases and contractual obligations are as follows:

(dollars in millions)	Operating Leases*	Capital Leases	Unconditional Purchase Obligations	Total
2005	$ 9.0	$ 4.2	$ 51.3	$ 64.5
2006	7.6	2.8	33.3	43.7
2007	7.7	1.0	31.6	40.3
2008	7.3	0.7	30.0	38.0
2009	7.2	0.7	28.5	36.4
Thereafter	144.2	6.2	27.1	177.5
Total	$183.0	$15.6	$201.8	$400.4

* Operating leases exclude certain data center leases which are recorded as a restructuring liability. Refer to Note 5.

In 1998, the Company entered into a ten-year contract with Convergys Corporation ("Convergys"), a provider of billing, customer service and other services, which remains in effect until June 30, 2008. The contract states that Convergys will be the primary provider of certain data processing, professional and consulting and technical support services for the Company within CBT's operating territory. In return, the Company will be the exclusive provider of local telecommunications services to Convergys. During the second quarter of 2004, the Company and Convergys renegotiated the contract, the result of which extended the contract through December 31, 2010, reduced prices for certain provided services by Convergys, excluded certain third party costs and reduced the Company's annual commitment in 2004 and 2005 to $35.0 million from $45.0 million. During the calendar year 2004, the Company paid a total amount of $37.5 million under the contract. Beginning in 2006, the minimum commitment will be reduced 5% annually.

Contingencies

In the normal course of business, the Company is subject to various regulatory proceedings, lawsuits, claims and other matters. Such matters are subject to many uncertainties and outcomes that are not predictable with assurance.

In re Broadwing Inc. Securities Class Action Lawsuits, (Gallow v. Broadwing Inc., et al), U.S. District Court, Southern District of Ohio, Western Division, Case No. C-1-02-795.

Between October and December 2002, five virtually identical class action lawsuits were filed against Broadwing Inc. and two of its former Chief Executive Officers in U.S. District Court for the Southern District of Ohio.

These complaints were filed on behalf of purchasers of the Company's securities between January 17, 2001 and May 20, 2002, inclusive, and alleged violations of Section 10(b) and 20(a) of the Securities and Exchange Act of 1934 by, inter alia, (1) improperly recognizing revenue associated with Indefeasible Right of Use ("IRU") agreements; and (2) failing to write-down goodwill associated with the Company's 1999 acquisition of IXC Communications, Inc. The plaintiffs seek unspecified compensatory damages, attorney's fees, and expert expenses.

On December 30, 2002, the "Local 144 Group" filed a motion seeking consolidation of the complaints and appointment as lead plaintiff. By order dated October 29, 2003, Local 144 Nursing Home Pension Fund, Paul J. Brunner and Joseph Lask were named lead plaintiffs in a putative consolidated class action.

On December 1, 2003, lead plaintiffs filed their amended consolidated complaint on behalf of purchasers of the Company's securities between January 17, 2001 and May 20, 2002, inclusive. This amended complaint contained a number of new allegations. Cincinnati Bell Inc. was added as defendant in this amended filing. The Company's motion to dismiss was filed on February 6, 2004. Plaintiffs filed their opposition on April 2, 2004 and the Company filed its reply on May 17, 2004.

On September 24, 2004, Judge Walter Rice issued an Order granting in part and denying in part the Company's motion to dismiss. The Order indicates that a more detailed opinion will follow. Until the detailed opinion is issued, there is no way of knowing which portions of the case have been dismissed. In the interim, Judge Rice directed that the stay of discovery will remain in effect. The Company is vigorously defending these matters. The timing and outcome of these matters are not currently predictable. An unfavorable outcome could have a material effect on the financial condition, results of operations and cash flows of the Company.

In re Broadwing Inc. Derivative Complaint, (Garlich v. Broadwing Inc., et al.), Hamilton County Court of Common Pleas, Case No. A0302720.

This derivative complaint was filed against Broadwing Inc. and ten of its current and former directors on April 9, 2003 alleging breaches of fiduciary duty arising out of the same allegations discussed in *In re Broadwing Inc. Securities Class Action Lawsuits* above. Pursuant to a stipulation between the parties, defendants are not required, absent further order by the Court, to answer, move, or otherwise respond to this complaint until 30 days after the federal court renders a ruling on defendants' motion to dismiss in *In re Broadwing Inc. Securities Class Action Lawsuits*. The Company is vigorously defending these matters. The timing and outcome of these matters are not currently predictable. An unfavorable outcome could have a material effect on the financial condition, results of operations and cash flows of the Company.

In re Broadwing Inc. ERISA Class Action Lawsuits, (Kurtz v. Broadwing Inc., et al), U.S District Court, Southern District of Ohio, Western Division, Case No. C-1-02-857.

Between November 18, 2002 and January 10, 2003, four putative class action lawsuits were filed against Broadwing Inc. and certain of its current and former officers and directors in the United States District Court for the Southern District of Ohio. Fidelity Management Investment Trust Company was also named as a defendant in these actions.

These cases, which purport to be brought on behalf of the Cincinnati Bell Inc. Savings and Security Plan, the Broadwing Retirement Savings Plan, and a class of participants in the Plans, generally allege that the defendants breached their fiduciary duties under the Employee Retirement Income Security Act of 1974 ("ERISA") by improperly encouraging the Plan participant-plaintiffs to elect to invest in the Company stock fund within the relevant Plan and by improperly continuing to make employer contributions to the Company stock fund within the relevant Plan.

On October 22, 2003, a putative consolidated class action complaint was filed in the U.S. District Court for the Southern District of Ohio. The Company filed its motion to dismiss on February 6, 2004. Plaintiffs filed their opposition on April 2, 2004 and the Company filed its reply by May 17, 2004.

On October 6, 2004, the Judge issued a Scheduling Order in these matters. According to the Scheduling Order, discovery was permitted to commence immediately and must have been completed by November 15, 2005. The trial is tentatively scheduled to take place in May 2006. A ruling on the Company's motion to dismiss is still pending. The Company is vigorously defending these matters. The timing and outcome of these matters are not currently predictable. An unfavorable outcome could have a material effect on the financial condition, results of operations and cash flows of the Company.

During 2004, a class action complaint against Cincinnati Bell Wireless Company and Cincinnati Bell Wireless, LLC was filed in Hamilton County, Ohio. The complaint alleges that the plaintiff and similarly-situated customers were wrongfully assessed roaming charges for wireless phone calls made or received within the Company's Home Service Area and/or within major metropolitan areas on the AT&T Wireless Network. The complaint asserts several causes of action, including negligent and/or intentional misrepresentation, breach of contract, fraud, unjust enrichment, conversion and violation of the Ohio Consumer Sales Practices Act. The plaintiff seeks economic and punitive damages on behalf of himself and all similarly-situated customers.

On January 31, 2005, another class action complaint against Cincinnati Bell Wireless Company and Cincinnati Bell Wireless, LLC was filed in Kenton County, Kentucky. The allegations raised and damages sought by plaintiffs in this action are very similar to those previously described.

The Company is vigorously defending these actions. At this stage of the litigation, it is premature to assess the ultimate viability of plaintiffs' claims and whether these actions will potentially have a material adverse effect upon the Company.

Indemnifications

During the normal course of business, the Company makes certain indemnities, commitments and guarantees under which it may be required to make payments in relation to certain transactions. These include (a) intellectual property indemnities to customers in connection with the use, sales and/or license of products and services, (b) indemnities to customers in connection with losses incurred while performing services on their premises (c) indemnities to vendors and service providers pertaining to claims based on negligence or willful misconduct of the Company, and (d) indemnities involving the representations and warranties in certain contracts. In addition, the Company has made contractual commitments to several employees providing for payments upon the occurrence of certain prescribed events. The majority of these indemnities, commitments and guarantees do not provide for any limitation on the maximum potential for future payments that the Company could be obligated to make. Except for amounts recorded in relation to insured losses, the Company has not recorded a liability for these indemnities, commitments and other guarantees in the Consolidated Balance Sheets, excepted as described below.

The following table summarizes the Company's indemnification obligations as of December 31, 2004:

(dollars in millions)	Fair Value	Estimated Maximum Indemnities
Indemnities to the buyer of the broadband assets ...	$4.1	$197.3
Indemnities related to legal settlement agreements ..	0.5	1.0
Total Indemnities	$4.6	$198.3

The Company has indemnified the buyer of the broadband assets against certain potential claims, including environmental, tax, title and authorization. The title and authorization indemnification was capped at 100% of the purchase price of the broadband assets, which initially was $91.5 million, subject to reductions under the terms of the purchase agreement. The environmental and general indemnities were capped at 50% of the purchase price of the broadband assets.

In order to determine the fair value of the indemnity obligations and warranties provided to the buyer of the broadband assets, the Company performed a probability-weighted discounted cash flow analysis, utilizing the minimum and maximum potential claims and several scenarios within the range of possibilities. For the year ended December 31, 2003, the analysis originally resulted in a $7.8 million estimated fair value of the indemnity obligations, which was included in other liabilities and was reflected as a reduction of the gain on sale of broadband assets in the Consolidated Statement of Operations and Comprehensive Income (Loss).

During the fourth quarter of 2004, the Company decreased the liability related to the indemnity obligations to $4.1 million due to the expiration of the general representations and warranties and no broker warranties, and recorded $3.7 million as a gain on sale of broadband assets in the Consolidated Statement of Operations and Comprehensive Income (Loss).

In order to determine the fair value of the indemnity obligations and warranties provided under the legal settlement agreements, the Company utilized a best estimates approach when possible and for certain transactions performed a probability-weighted discounted cash flow analysis, utilizing the minimum and maximum potential claims and certain scenarios within the range of possibilities. For the year ended December 31, 2003, the analysis originally resulted in a $3.2 million estimated fair value of the indemnity obligations, which was included in other liabilities and was reflected as other operating expense in the Consolidated Statement of Operations and Comprehensive Income (Loss).

In the fourth quarter of 2004, the Company paid approximately $2.7 million related to these indemnity obligations. At December 31, 2004, $0.5 million remained in other liabilities related to the indemnity for certain representations and warranties provided under the terms of the legal settlement agreement.

Off-Balance Sheet Arrangements

The Company does not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as special purpose entities ("SPEs") or variable interest entities ("VIEs"), which would have been established for the purpose of facilitating off-balance sheet arrangements or other limited purposes.

11. Common and Preferred Shares

Common Shares

The par value of the Company's common shares is $.01 per share. At December 31, 2004 and 2003, common shares outstanding were 245.4 million and 244.6 million, respectively. In July 1999, the Company's Board of Directors approved a share repurchase program authorizing the repurchase of up to $200 million of common shares of the Company. The 245.4 million shares of Company common shares outstanding at December 31, 2004, are net of approximately 7.9 million shares that were repurchased by the Company under its share repurchase program and certain management deferred compensation arrangements for a total cost of $145.4 million.

Preferred Share Purchase Rights Plan

In the first quarter of 1997, the Company's Board of Directors adopted a Share Purchase Rights Plan by granting a dividend of one preferred share purchase right for each outstanding common share to shareowners of record at the close of business on May 2, 1997. Under certain conditions, each right entitles the holder to purchase one-thousandth of a Series A Preferred Share. The rights cannot be exercised or transferred apart from common shares, unless a person or group acquires 15% or more, or 20% or more for certain groups, of the Company's outstanding common shares. The rights will expire May 2, 2007, if they have not been redeemed. The plan was amended in 2002. Under the original plan, no single entity was allowed to hold 15% of the Company's outstanding shares. The amendment increased the allowed threshold from 15% to 20% for an investment adviser within the meaning of the Investment Advisers Act of 1940, and/or its affiliates.

Preferred Shares

The Company is authorized to issue 2,357,299 voting preferred shares without par value and 1,000,000 nonvoting preferred shares 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 Company common stock per depositary share of 6¾% convertible preferred stock. Dividends on the 6¾% convertible preferred stock are payable quarterly in arrears in cash, or common stock in certain circumstances if cash payment is not legally permitted. The liquidation preference on the 6¾% preferred shares is $1,000 per share (or $50 per depositary share).

12. Earnings (Loss) Per Common Share from Continuing Operations

Basic earnings (loss) per common share from continuing operations ("EPS") is based upon the weighted average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution that would occur if common stock equivalents were exercised, but only to the extent that they are considered dilutive to the Company's earnings. The following table is a reconciliation of the numerators and denominators of the basic and diluted EPS computations for earnings (loss) from continuing operations for the following periods:

(dollars in millions, except per share amounts)	Year Ended December 31 2004	2003	2002
Numerator:			
Income (loss) from continuing operations before discontinued operations and cumulative effect of change in accounting principle	$ 64.2	$1,246.0	$(2,449.2)
Preferred stock dividends	(10.4)	(10.4)	(10.4)
Numerator for basic — income (loss) from continuing operations applicable to common shareowners	53.8	1,235.6	(2,459.6)
Preferred stock dividends	—	10.4	—
Interest expense, net of tax — convertible subordinated notes	—	24.8	—
Numerator for diluted EPS — income (loss) from continuing operations applicable to common shareowners	$ 53.8	$1,270.8	$(2,459.6)
Denominator:			
Denominator for basic EPS — weighted average common shares outstanding	245.1	226.9	218.4
Dilution:			
Convertible preferred stock	—	4.5	—
Convertible subordinated notes	—	14.9	—
Stock options and warrants	5.3	6.9	—
Stock-based compensation arrangements	0.1	0.1	—
Denominator for diluted EPS per common share	250.5	253.3	218.4
Basic EPS from continuing operations	$ 0.22	$ 5.44	$ (11.27)
Diluted EPS from continuing operations	$ 0.21	$ 5.02	$ (11.27)

The total number of potential additional shares outstanding relating to stock options and the Company's 6¾% cumulative convertible preferred stock that were not included in the computation of diluted EPS because their effect would be anti-dilutive was approximately 23.6 million, 26.2 million and 31.7 million for the years ended December 31, 2004, 2003 and 2002, respectively.

13. Income Taxes

Income tax provision (benefit) from continuing operations consists of the following:

(dollars in millions)	Year ended December 31, 2004	2003	2002
Current:			
Federal	$ (0.5)	$ —	$ (38.1)
State and local	1.5	1.0	(1.9)
Total current	1.0	1.0	(40.0)
Investment tax credits	(0.3)	(0.6)	(0.4)
Deferred:			
Federal	52.8	194.3	(767.9)
State and local	10.4	(76.6)	(178.7)
Total deferred	63.2	117.7	(946.6)
Valuation allowance	(27.8)	(946.9)	1,110.7
Total	$ 36.1	$(828.8)	$ 123.7

Federal income tax refunds are reflected as a current benefit.

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

	Year ended December 31,		
	2004	2003	2002
U.S. federal statutory rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal income tax benefit	10.5	(11.9)	5.2
Change in valuation allowance, net of federal income tax expense	(18.0)	(225.5)	(45.0)
Dividends on 12½% exchangeable preferred stock	—	2.7	(0.7)
Nondeductible interest expense	7.7	1.8	(0.2)
Other differences, net	0.8	(0.8)	0.4
Effective rate	36.0%	(198.7%)	(5.3%)

The total income tax expense (benefit) realized by the Company consists of the following:

	Year ended December 31,		
(dollars in millions)	2004	2003	2002
Income tax provision (benefit) related to:			
Continuing operations	$36.1	$(828.8)	$123.7
Discontinued operations	—	—	119.7
Other comprehensive income (loss)	(2.2)	0.1	(1.7)
Cumulative effect of change in accounting principle	—	47.5	(5.9)
Total income tax provision (benefit)	$33.9	$(781.2)	$235.8

The Company recognized an income tax benefit from the exercise of certain stock options in 2004, 2003, and 2002 of $1.3 million, $0.6 million and $2.5 million, respectively. This benefit resulted in a decrease in current income taxes payable and an increase in additional paid in capital.

The components of the Company's deferred tax assets and liabilities are as follows:

	Year Ended December 31,	
(dollars in millions)	2004	2003
Deferred tax assets:		
Net operating loss carryforwards	$ 860.6	$ 893.1
Other	55.2	96.4
Total deferred tax assets	915.8	989.5
Valuation allowance	(144.2)	(171.9)
Total deferred income tax assets, net of valuation allowance	771.6	817.6
Deferred tax liabilities:		
Property, plant and equipment	27.4	57.2
State taxes	36.4	15.1
Other	—	6.0
Total deferred tax liabilities	63.8	78.3
Net deferred tax assets	$ 707.8	$ 739.3

As of December 31, 2004, the Company had approximately $1,816.0 million of federal operating loss tax carryforwards, with a deferred tax asset value of $635.6 million, and $225.0 million in deferred tax assets related to state and local operating loss tax carryforwards. Tax loss carryforwards will generally expire between 2011 and 2023. U.S. tax laws limit the annual utilization of tax loss carryforwards of acquired entities. These limitations should not materially impact the utilization of the tax carryforwards. Certain 2003 components have been reclassified with no effect on net deferred tax assets. The Company had a valuation allowance of $144.2 million and $171.9 million for the years ended December 31, 2004 and 2003, respectively. The net decrease in the valuation allowance of $27.7 million during 2004 was primarily due to a change in future utilization estimates of state net operating loss 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. The Company concluded, due to the sale of the broadband business and the historical and future projected earnings of the remaining businesses, that the Company will utilize future deductions and available net operating loss carryforwards prior to their expiration. The Company also concluded that it was more likely than not that certain state tax loss carryforwards would not be realized based upon the analysis described above and therefore provided a valuation allowance.

14. Employee Benefit Plans and Postretirement Benefits Other Than Pensions

The Company sponsors three noncontributory defined benefit pension plans: one for eligible management employees, one for non-management employees and one supplemental, nonqualified, unfunded plan for certain senior executives.

The management pension plan is a cash balance plan in which the pension benefit is determined by a combination of compensation-based credits and annual guaranteed interest credits. The non-management pension plan is also a cash balance plan in which the pension benefit is determined by a combination of service and job-classification-based credits and annual interest credits. Benefits for the supplemental plan are based on eligible pay, adjusted for age and service upon retirement. Funding of the management and non-management plans is achieved through contributions to an irrevocable trust fund. The contributions are determined using the aggregate cost method. The Company uses the traditional unit credit cost method for determining pension cost for financial reporting purposes and uses a December 31 measurement date for all of its plans.

The Company also provides health care and group life insurance benefits for eligible retirees. The Company funds certain group life insurance benefits through Retirement Funding Accounts and funds health care benefits and other group life insurance benefits using Voluntary Employee Benefit Association ("VEBA") trusts. It is the Company's practice to fund amounts as deemed appropriate from time to time. Contributions are subject to IRS limitations developed using the aggregate cost method.

The actuarial expense calculation for the postretirement health plan is based on numerous assumptions, estimates and judgments including health care cost trend rates and cap-related cost sharing. Our non-management labor contract with the union contains contractual limits on the Company funded portion of retiree medical costs (referred to as "caps"). The Company has waived the premiums in excess of the caps during the current and past labor contract periods and, therefore has waived any cost sharing from those non-management retirees. The Company has previously accounted for the obligation for non-management retiree medical costs based on the terms of the written labor contract with the union. The Company has provided the same benefits for non-management and management retirees and therefore, has accounted for the obligation for management retiree medical costs on the same basis as non-management retiree medical costs.

The Company has determined that its past history of waiving and/or increasing caps in labor contract negotiations with the union, coupled with the expectation that the caps will be waived or increased in future contract negotiations, creates a substantive plan that is an uncapped plan and differs from the written plan. Accordingly, effective December 31, 2004, the Company has accounted for its retiree medical benefit obligation for non-management and management retirees as if there were no caps.

The change to the substantive plan has been accounted for as a plan amendment resulting in an increase to the retiree medical postretirement benefit obligation of approximately $122.5 million, which will be recognized over the remaining years of future service of the active plan participants. The change will increase annual net periodic expense by approximately $17.0 million.

Under the Medicare Prescription Drug, Improvement and Modernization Act of 2003, (the "Act") beginning in 2006, the Act will provide a prescription drug benefit under Medicare Part D, as well as a federal subsidy to plan sponsors of retiree healthcare plans that provide a prescription drug benefit to their participants that is at least actuarially equivalent to the benefit that will be available under Medicare. The amount of the federal subsidy will be based on 28 percent of an individual beneficiary's annual eligible prescription drug costs ranging between $250 and $5,000. On May 19, 2004, the Financial Accounting Standards Board issued Staff Position No. 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" ("FSP No. 106-2"). FSP No. 106-2 clarified that the federal subsidy provided under the Act should be accounted for as an actuarial gain in calculating the postretirement benefit obligation and annual postretirement expense. Based on its current understanding of the Act, the Company determined that a substantial portion of the prescription drug benefits provided under its postretirement benefit plan would be deemed actuarially equivalent to the benefits provided under Medicare Part D. Effective July 1, 2004, the Company prospectively adopted FSP No. 106-2 and remeasured its postretirement benefit obligation as of that date to account for the federal subsidy, the effects of which resulted in a $10.3 million reduction in the Company's postretirement benefit obligation and a $1.1 million reduction in the Company's 2004 postretirement expense. The reduction in postretirement expense for 2004 was comprised of a $0.6 million benefit related to interest cost and a $0.5 million benefit in the amortization of the actuarial loss. On January 21, 2005, the Department of Health and Human Services issued final federal regulations on the determination of actuarial equivalence of the federal subsidy. The Company is currently evaluating the effects, if any, that these final rules may have on its future benefit costs and postretirement benefit obligation, but does not believe the effects will be material.

During 2004, special termination benefits of $10.5 million were included in the benefit obligation. These special termination benefits related to the 2004 restructuring plan discussed in Note 5.

The following information relates to all Company noncontributory defined benefit pension plans, postretirement health care, and life insurance benefit plans. Pension and postretirement benefit costs are as follows:

	Pension Benefits			Postretirement and Other Benefits		
(dollars in millions) Year ended December 31	**2004**	**2003**	**2002**	**2004**	**2003**	**2002**
Service cost (benefits earned during the period)	$ 8.1	$ 9.6	$ 11.4	$ 2.1	$ 1.7	$ 1.4
Interest cost on projected benefit obligation	27.3	28.8	31.2	16.2	15.7	15.2
Expected return on plan assets	(41.4)	(39.2)	(45.7)	(6.3)	(6.6)	(8.8)
Curtailment loss	—	2.7	0.2	—	—	—
Special termination benefit	10.5	—	—	—	—	—
Amortization of:						
Transition (asset)/obligation	(1.8)	(2.5)	(2.4)	4.2	4.2	4.2
Prior service cost	3.1	3.2	3.2	3.8	1.4	0.6
Net (gain) loss	(0.9)	(0.1)	(5.9)	1.5	1.5	—
Actuarial (income) expense	$ 4.9	$ 2.5	$ (8.0)	$21.5	$17.9	$12.6

The following are the weighted average assumptions used in accounting for the pension and postretirement benefit cost in the Statements of Operations and Comprehensive Income (Loss) for the years ended December 31:

	Pension Benefits			Postretirement and Other Benefits		
	2004	**2003**	**2002**	**2004**	**2003**	**2002**
Discount rate — net periodic benefit expense	6.00%	6.50%	7.25%	6.00%	6.50%	7.25%
Expected long-term rate of return on Pension and VEBA plan assets	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%
Expected long-term rate of return on retirement fund account assets	n/a	n/a	n/a	8.00%	8.00%	8.00%
Future compensation growth rate	4.50%	4.50%	4.50%	n/a	n/a	n/a

The associated pension plans' assets consist of the following:

	Pension Assets		
	Target Allocation 2005	Percentage of Plan Assets at December 31, 2004	2003
Plan Assets:			
Fixed Income	20%–38%	28.6%	28.9%
Equity Securities*	55%–65%	59.9%	60.5%
Real Estate	8%–12%	11.5%	10.6%
Total		100.0%	100.0%

* At December 31, 2004 and 2003, respectively, pension plan assets include $5.8 million and $7.0 million in Company common stock.

The associated postretirement and other plans' assets consist of the following:

	Postretirement and Other Assets					
	Health Care			Group Life Insurance		
	Target Allocation 2005	Percentage of Plan Assets at December 31, 2004	2003	Target Allocation 2004	Percentage of Plan Assets at December 31, 2004	2003
Plan Assets:						
Fixed Income	30%–40%	42.8%	36.3%	35%–45%	20.3%	21.1%
Equity Securities	60%–70%	57.2%	63.7%	55%–65%	32.0%	29.7%
Cash*	—	—	—	—	47.7%	49.2%
Total		100.0%	100.0%		100.0%	100.0%

* As of December 31, 2004, the Company held $13.2 million in cash to be used for group health benefits under postretirement plans.

The Company expects to make a cash funding contribution to its pension plans and postretirement health plans of approximately $2.5 million and $9.2 million, respectively in 2005.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid over the next ten years from the Company's pension plans and postretirement health plans:

	Pension Benefits	Postretirement and Other Benefits Gross	Medicare Subsidy Receipts
2005	$ 49.2	$ 25.2	$ —
2006	60.3	26.2	(1.4)
2007	40.0	27.1	(1.6)
2008	39.7	27.7	(1.7)
2009	40.1	28.1	(1.8)
Years 2010–2014	199.2	144.6	(12.0)

Reconciliation of the beginning and ending balance of the plans' funded status were:

(dollars in millions) Year ended December 31	Pension Benefits		Postretirement and Other Benefits	
	2004	2003	2004	2003
Change in benefit obligation:				
Benefit obligation at January 1	$466.5	$477.4	$ 290.5	$ 238.5
Service cost	8.1	9.6	2.1	1.7
Interest cost	27.3	28.7	16.4	15.7
Amendments	—	1.2	122.5	32.7
Actuarial loss	36.8	2.0	9.3	26.0
Benefits paid	(44.7)	(51.1)	(24.4)	(24.1)
Curtailment	—	(1.3)	—	—
Special termination benefit	10.5	—	—	—
Benefit obligation at December 31	$504.5	$466.5	$ 416.4	$ 290.5
Change in plan assets:				
Fair value of plan assets at January 1	$451.2	$407.9	$ 84.6	$ 88.1
Actual return on plan assets	48.5	91.4	7.5	11.1
Employer contribution	3.6	3.0	9.9	9.5
Benefits paid	(44.6)	(51.1)	(24.3)	(24.1)
Fair value of plan assets at December 31	$458.7	$451.2	$ 77.7	$ 84.6
Reconciliation to Balance Sheet:				
Unfunded status	$ (45.8)	$ (15.3)	$(338.7)	$(205.9)
Unrecognized transition (asset) obligation	(1.1)	(2.9)	33.7	37.9
Unrecognized prior service cost	25.7	28.9	161.9	43.2
Unrecognized net loss	65.1	34.5	67.9	61.3
(Accrued) prepaid benefit cost	$ 43.9	$ 45.2	$ (75.2)	$ (63.5)

As of December 31, 2004 and 2003, the Company's accumulated benefit obligation related to its pension plans was $503.5 million and $466.1 million, respectively.

The following table presents information for certain of the pension and postretirement plans with a projected benefit obligation in excess of the fair value of plan assets:

(dollars in millions) Year ended December 31,	Pension Plans		Postretirement Health Plans	
	2004	2003	2004	2003
Projected benefit obligation	$283.5	$271.1	$416.4	$290.5
Fair value of plan assets	$234.8	$236.3	$ 77.7	$ 84.6

The following table presents information for certain of the pension plans with an accumulated benefit obligation in excess of the fair value of plan assets:

(dollars in millions)	Pension Plans	
	2004	2003
Accumulated benefit obligation	$282.6	$270.6
Fair value of plan assets	$234.8	$236.3

The amounts recognized in the statement of financial position consist of:

(dollars in millions)	Pension Benefits Year ended December 31 2004	2003
Prepaid benefit cost	$ 67.5	$ 68.4
Accrued benefit liability	(47.8)	(34.4)
Intangible asset	14.6	7.1
Accumulated other comprehensive income	9.6	4.1
Net amount recognized	$ 43.9	$ 45.2

The following are the weighted average assumptions used in accounting for and measuring the pension and postretirement benefit obligation in the Consolidated Balance Sheets at December 31:

	Pension Benefits		Postretirement and Other Benefits	
	2004	2003	2004	2003
Discount rate — projected benefit obligation	5.50%	6.00%	5.75%	6.00%
Expected long-term rate of return on Pension and VEBA plan assets	8.25%	8.25%	8.25%	8.25%
Expected long-term rate of return on retirement fund account assets	n/a	n/a	8.00%	8.00%
Future compensation growth rate	4.50%	4.50%	n/a	n/a

The expected long-term rate of return on plan assets, developed using the building block approach, is based on the following: the participant's benefit horizons; 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. Actual asset return experience results in an increase or decrease in the asset base and this effect, in conjunction with a decrease in the pension discount rate, may result in a plan's assets being less than a plan's accumulated benefit obligation ("ABO"). The ABO is the present value of benefits earned to date and is based on past compensation levels. The Company is required to show in its consolidated balance sheet a net liability that is at least equal to the ABO less the market value of plan assets. This liability is referred to as an additional minimum pension liability ("AML"). As of December 31, 2004, the Company's ABO was $503.5 million and its AML was $24.2 million.

The assumed health care cost trend rate used to measure the postretirement health benefit obligation at December 31, 2004, was 7.98% and is assumed to decrease gradually to 4.54% by the year 2009. In addition, a one-percentage point change in assumed health care cost trend rates would have the following effect on the postretirement benefit costs and obligation:

(dollars in millions)	1% Increase	1% Decrease
2004 service and interest costs	$ 4.6	$ (3.6)
Postretirement benefit obligation at December 31, 2004	$52.7	$(43.0)

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, on a percentage of employee earnings. Company and employee contributions are invested in various investment funds at the direction of the employee. Total Company contributions to the defined contribution plans were $5.3 million, $6.6 million and $8.8 million for 2004, 2003, and 2002, respectively.

15. Stock-Based Compensation Plans

During 2004 and in prior years, certain employees and directors of the Company were granted stock options and other stock-based awards under the Company's Long-Term Incentive Plans ("Company LTIP"). Under the Company LTIP, options are granted with exercise prices that are no less than market value of the stock at the grant date. Generally, stock options and stock appreciation rights have ten-year terms and vesting terms of three to five years. The number of shares authorized and available for grant under these plans were approximately 78.3 million and 34.7 million, respectively, at December 31, 2004.

Presented below is a summary of the status of outstanding Company stock options issued to employees and related transactions (shares in thousands):

	Shares	Exercise Price
Company options held by employees and directors at December 31, 2001	33,769	$17.40
Granted	8,142	$ 3.71
Exercised	(219)	$ 3.71
Forfeited/expired	(5,205)	$18.55
Company options held by employees and directors at December 31, 2002	36,487	$14.80
Granted	4,167	$ 5.58
Exercised	(620)	$ 3.57
Forfeited/expired	(10,027)	$15.61
Company options held by employees and directors at December 31, 2003	30,007	$13.45
Granted	2,198	$ 3.98
Exercised	(854)	$ 3.55
Forfeited/expired	(6,987)	$16.58
Company options held by employees and directors at December 31, 2004	24,364	12.06

The following table summarizes the status of Company stock options outstanding and exercisable at December 31, 2004 (shares in thousands):

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$1.88 to $3.70	5,083	8.60	$ 3.55	2,385	$ 3.47
$3.72 to $7.27	4,915	8.02	$ 5.77	1,919	$ 5.99
$7.68 to $13.16	5,194	5.19	$10.74	5,194	$10.74
$13.24 to $16.78	4,979	4.34	$16.53	4,979	$16.53
$17.50 to $38.19	4,193	5.50	$26.05	4,193	$26.05
Total	24,364	6.35	$12.06	18,670	$14.30

As of December 31, 2004, 2003 and 2002 there were 18.7 million, 21.2 million and 19.2 million options exercisable.

In 2004, the Company granted 140,000 shares of restricted stock awards and the weighted average market value of the shares on the grant date was $5.43. In 2003 and 2002, there were no restricted stock awards granted. During 2001, restricted stock awards were 65,000 shares and the weighted average market value of the shares on the grant date was $24.41. Restricted stock awards generally vest within one to five years. Total compensation expense for restricted stock awards during 2004 and 2003 was $0.3 million, and $3.8 million during 2002.

In January 1999, the Company granted stock options to each of its then existing employees (approximately 3,500). According to the terms of this program, stock option grant recipients remaining with the Company until January 2002 could exercise their options to purchase up to 500 common shares each at an exercise price of 16.75. This plan also includes a provision for option grants to employees hired after the January 1999 grant date, in smaller amounts and at an exercise price based on the month of hire (e.g., employees hired during 2001 received options to purchase up to 300 common shares of the Company). Grant recipients must exercise their options within ten years of the date of grant.

In December 2001, the Company announced an additional stock option grant to a majority of its management employees. Each eligible employee was granted 300 options to purchase common shares at an exercise price of $9.65. The options vest over a period of three years and expire ten years from the date of grant.

In December 2003, the Company announced an additional stock option grant. Each management employee was granted 1,000 options and each hourly employee was granted 300 options to purchase common shares at an exercise price of $5.66. The options vest over a period of three years and expire ten years from the date of grant.

16. Discontinued Operations

On March 8, 2002, the Company sold substantially all of the assets of its Cincinnati Bell Directory ("CBD") subsidiary to a group of investors for $345.0 million in cash and a 2.5% equity stake in the newly formed entity. CBD published Yellow Pages directories and sold directory advertising and informational services in Cincinnati Bell Telephone's local service area. In the first quarter of 2002, the Company recorded a pre-tax gain of $328.3 million ($211.8 million, net of taxes), related to the sale of these assets in the Consolidated Statements of Operations and Comprehensive Income (Loss) under the caption "Income from discontinued operations, net of taxes."

The consolidated financial statements and the Company's Other segment were restated to reflect the disposition of CBD as a discontinued operation under SFAS 144. Accordingly, revenue, costs, expenses, and cash flows of CBD have been reported as "Income from discontinued operations, net of taxes," "Net cash provided by (used in) discontinued operations," "Gain from sale of discontinued operations, net of taxes", or "Proceeds from sale of discontinued operations, net of taxes" for all periods presented.

Selected financial information for the discontinued operations is as follows:

(dollars in millions)	Year ended December 31,		
	2004	2003	2002
Results of Operations:			
Revenue	$—	$—	$ 15.7
Income from discontinued operations prior to sale	$—	$—	$ 9.0
Gain on sale of discontinued operations	—	—	328.3
Income tax provision*	—	—	119.7
Income from discontinued operations, net of tax	$—	$—	$217.6

* 2002 includes $116.5 income tax expense on disposition of discontinued operations

The effective tax rates for discontinued operations was zero in 2004 and 2003 and 35.5% in 2002.

17. Additional Financial Information

Balance Sheet (dollars in millions)	As of December 31 2004	As of December 31 2003	Depreciable Lives (Years)
Property, plant and equipment:			
Land and rights of way	$ 5.7	$ 5.7	20–Indefinite
Buildings and leasehold improvements	195.6	189.2	2–40
Telephone plant	2,169.4	2,099.9	3–29
Transmission facilities	72.7	75.3	2–20
Furniture, fixtures, vehicles, and other	118.3	137.1	8–20
Construction in process	21.7	17.8	—
Subtotal	2,583.4	2,525.0	
Less: Accumulated depreciation	(1,732.3)	(1,626.2)	
Property, plant and equipment, net*	$ 851.1	$ 898.8	

(dollars in millions)	As of December 31 2004	As of December 31 2003
Other current liabilities:		
Accrued insurance	$ 9.9	$ 11.3
Other current liabilities	34.2	56.4
Total other current liabilities	$ 44.1	$ 67.7
Accumulated other comprehensive loss:		
Additional minimum pension liability	$ (5.5)	$ (2.3)
Total accumulated other comprehensive loss	$ (5.5)	$ (2.3)

Statement of Operations and Cash Flows

(dollars in millions)	As of December 31 2004	2003	2002
Capitalized interest expense	$ 0.6	$ 1.0	$ 9.1
Cash paid (received) for:			
Interest (net of amount capitalized)	$ 158.8	$ 122.0	$124.8
Income taxes (net of refunds)	2.3	0.3	(40.3)
Noncash investing and financing activities:			
Interest expense	35.2	88.7	47.4
Decrease in minority interest due to accretion of 12½% exchangeable preferred stock	—	2.0	3.5
Decrease in assets due to capital lease modification	—	6.2	—
Decrease in liabilities due to capital lease modification	—	(14.0)	—
Decrease of long-term debt due to exchange of 12½% notes and 9% notes to common stock	—	(524.9)	—
Issuance of common stock in exchange for the 12½% Preferreds and 9% Notes	—	532.9	—

* Includes $28.4 and $34.7, respectively, of assets accounted for as capital leases, net of accumulated depreciation of $16.2 and $19.9, respectively, included in ‘Buildings and leasehold improvements,’ ‘Telephone plant,’ ‘Transmission facilities,’ and ‘Furniture, fixtures, vehicles and other.’

18. Business Segment Information

The Company is organized on the basis of products and services. The Company’s segments are strategic business units that offer distinct products and services and are aligned with specific subsidiaries of the Company. The Company operates in five business segments, Local, Wireless, Hardware and Managed Services, Other and Broadband, as described below.

The Company realigned its business segments during the first quarter of 2004. Cincinnati Bell Technology Solutions ("CBTS"), a data equipment and managed services subsidiary, was previously reported in the Broadband segment and is now reported in the Hardware and Managed Services segment. Additionally, the sale of telephony equipment and its associated installation and maintenance business by CBT, previously reported in the Local segment, is now included in the Hardware and Managed Services segment. Accordingly, the historical results of operations of the Local, Hardware and Managed Services and Broadband segments have been recast to reflect the current segment reporting.

The Local segment provides local voice telephone service, including dozens of enhanced custom calling features, and data services, to customers in southwestern Ohio, northern Kentucky and southeastern Indiana.

The Wireless segment consists of the operations of the CBW subsidiary, a venture in which the Company owns 80.1% and Cingular, through its subsidiary AWE, owns the remaining 19.9%. This segment provides advanced, digital voice and data communications services and sales of related communications equipment to customers in the Greater Cincinnati and Dayton, Ohio operating areas.

The Hardware and Managed Services segment provides data center collocation, IT consulting services, telecommunications and computer equipment in addition to their related installation and maintenance. The Hardware and Managed Services is comprised of the operations within Cincinnati Bell Technology Solutions ("CBTS"). In March 2004, CBTS sold certain operating assets, which were generally residing outside of the Company's area for approximately $3.2 million in cash.

The Other segment combines the operations of CBAD, Cincinnati Bell Complete Protection ("CBCP") and Cincinnati Bell Public Communications Inc. ("Public"). CBAD resells long distance voice and audio-conferencing services, CBCP provides security and surveillance hardware and monitoring services for consumers and businesses, and Public provides public payphone services. In fourth quarter of 2004, the Company sold its payphone assets located at correctional institutions and those outside of the Company's operating area for $1.4 million.

The Broadband segment no longer has any substantive, on-going operations. The Broadband segment previously provided data and voice communication services nationwide over approximately 18,700 route miles of fiber-optic transmission facilities. Broadband segment revenue was generated by broadband transport through private line and IRU agreements, Internet services utilizing technology based on Internet protocol ("IP"), and switched voice services provided to both wholesale and retail customers. In 2003, the Company sold substantially all of its broadband assets (refer to Note 2), which were reported in the Broadband segment.

Certain corporate administrative expenses have been allocated to segments based upon the nature of the expense and the relative size of the segment. The Company's business segment information is as follows:

(dollars in millions)	Year Ended December 31, 2004	2003	2002
Revenue			
Local	$ 761.7	$ 774.5	$ 781.7
Wireless	261.7	259.5	267.2
Hardware and managed services	134.7	162.8	215.4
Other	78.6	81.1	82.8
Broadband	—	332.4	911.4
Intersegment	(29.6)	(52.5)	(79.9)
Total Revenue	$1,207.1	$1,557.8	$ 2,178.6
Intersegment Revenue			
Local	$ 21.1	$ 27.1	$ 35.6
Wireless	2.1	1.1	0.3
Hardware and managed services	4.5	4.4	0.6
Other	1.9	0.6	0.2
Broadband	—	19.3	43.2
Total Intersegment Revenue	$ 29.6	$ 52.5	$ 79.9
Operating Income (Loss)			
Local	$ 279.1	$ 282.7	$ 272.8
Wireless	(1.4)	60.2	69.1
Hardware and managed services	12.7	17.5	(9.4)
Other	18.0	6.5	1.7
Broadband	10.7	344.5	(2,415.7)
Corporate and Eliminations	(19.8)	(27.4)	(12.0)
Total Operating Income (Loss)	$ 299.3	$ 684.0	$(2,093.5)
Capital Additions			
Local	$ 80.1	$ 81.0	$ 80.3
Wireless	32.4	40.2	29.5
Hardware and managed services	15.6	0.6	5.7
Other	5.7	0.9	0.9
Broadband	—	3.6	59.2
Corporate and Eliminations	0.1	0.1	0.3
Total Capital Additions	$ 133.9	$ 126.4	$ 175.9
Depreciation and Amortization			
Local	$ 117.2	$ 125.7	$ 146.7
Wireless	67.4	38.8	31.3
Hardware and managed services	1.1	0.7	6.4
Other	1.7	2.1	1.9
Broadband	—	1.9	309.4
Corporate and Eliminations	0.3	0.5	0.6
Total Depreciation and Amortization	$ 187.7	$ 169.7	$ 496.3
Assets (at December 31, 2004 and 2003)			
Local	$ 717.1	$ 771.9	
Wireless	371.6	391.8	
Hardware and managed services	60.8	44.9	
Other	124.1	123.9	
Broadband	2.9	4.0	
Corporate and Eliminations	682.2	737.0	
Total Assets	$1,958.7	$2,073.5	

19. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate, where practicable, the fair value of each class of financial instruments:

Cash and cash equivalents, and current maturities of long-term debt — The carrying amount approximates fair value because of the short-term maturity of these instruments.

Accounts receivable and accounts payable — The carrying amounts approximate fair value.

Current and Long-term debt — The fair value is estimated based on year-end closing market prices of the Company's debt and of similar liabilities. The carrying amounts of long-term debt, excluding capital leases and unamortized discount, at December 31, 2004 and 2003 were $2,159.5 million and $2,311.7 million, respectively. The estimated fair values at December 31, 2004 and 2003 were $2,241.7 million and $2,475.8 million, respectively.

Convertible preferred stock — The fair value of the 6¾% Cumulative Convertible Preferred Stock at December 31, 2004 and 2003 was $120.3 million and $106.1 million, respectively, based on the trading value on those dates.

Interest rate risk management — The Company is exposed to the impact of interest rate changes. The Company's objective is to manage the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. The Company continuously monitors the ratio of variable to fixed interest rate debt to maximize its total return. As of December 31, 2004 and 2003 approximately 75% and 74% of debt, respectively, was fixed-rate debt and approximately 25% and 26%, respectively, were bank loans with variable interest rates.

20. Supplemental Guarantor Information

Cincinnati Bell Telephone Notes

CBT, a wholly owned subsidiary of the Parent Company, has $100.0 million in notes outstanding that are guaranteed by Cincinnati Bell Inc. but not the other subsidiaries of Cincinnati Bell Inc. The guarantee is full and unconditional and is joint and several. Substantially all of the Parent Company's income and cash flow is generated by its subsidiaries. Generally, funds necessary to meet the Parent Company's debt service obligations are provided by distributions or advances from its subsidiaries.

The following information sets forth the consolidating balance sheets of the Company as of December 31, 2004, and 2003 and the consolidating statements of operations and cash flows for the three years ended December 31, 2004, 2003 and 2002 of (1) Cincinnati Bell Inc., the Parent Company and guarantor (2) CBT, the issuer and (3) the non-guarantor subsidiaries on a combined basis:

Condensed Consolidating Statements of Operations
(dollars in millions)

	For the year ended December 31, 2004				
	Parent (CBT Note Guarantor)	CBT Issuer	Other (Non-guarantors)	Eliminations	Total
Revenue	$ —	$761.7	$475.1	$ (29.7)	$1,207.1
Operating costs, expenses, gains and losses	19.8	482.6	435.1	(29.7)	907.8
Operating income (loss)	(19.8)	279.1	40.0	—	299.3
Equity in earnings (loss) of subsidiaries and discontinued operations, net of taxes	175.9	—	—	(175.9)	—
Interest expense and other financing costs	185.5	17.5	25.6	(25.3)	203.3
Other expense (income), net	(21.5)	(1.2)	(6.9)	25.3	(4.3)
Income (loss) before income taxes	(7.9)	262.8	21.3	(175.9)	100.3
Income tax expense (benefit)	(72.1)	101.9	6.3	—	36.1
Net income (loss)	64.2	160.9	15.0	(175.9)	64.2
Preferred stock dividends	10.4	—	—	—	10.4
Net income (loss) applicable to common shareowners	$ 53.8	$160.9	$ 15.0	$(175.9)	$ 53.8

	For the year ended December 31, 2003				
	Parent (CBT Note Guarantor)	CBT Issuer	Other (Non-guarantors)	Eliminations	Total
Revenue	$ —	$820.4	$ 789.3	$ (51.9)	$1,557.8
Operating costs, expenses, gains and losses	27.3	524.3	374.1	(51.9)	873.8
Operating income (loss)	(27.3)	296.1	415.2	—	684.0
Equity in earnings (loss) of subsidiaries and discontinued operations, net of taxes	1,160.7	—	—	(1,160.7)	—
Interest expense and other financing costs	202.3	20.8	71.5	(60.4)	234.2
Other expense (income), net	(44.1)	(10.9)	27.2	60.4	32.6
Income (loss) before income taxes and cumulative effect of change in accounting principle	975.2	286.2	316.5	(1,160.7)	417.2
Income tax expense (benefit)	(270.8)	95.2	(653.2)	—	(828.8)
Income (loss) from continuing operations and cumulative effect of change in accounting principle	1,246.0	191.0	969.7	(1,160.7)	1,246.0
Cumulative effect of change in accounting principle, net of tax	85.9	86.3	(0.4)	(85.9)	85.9
Net income (loss)	1,331.9	277.3	969.3	(1,246.6)	1,331.9
Preferred stock dividends	10.4	—	—	—	10.4
Net income (loss) applicable to common shareowners	$1,321.5	$277.3	$ 969.3	$(1,246.6)	$1,321.5

Form 10-K

	For the year ended December 31, 2002				
	Parent (CBT Note Guarantor)	CBT Issuer	Other (Non-guarantors)	Eliminations	Total
Revenue	$ —	$833.1	$ 1,425.4	$ (79.9)	$ 2,178.6
Operating costs and expenses	12.1	547.8	3,792.1	(79.9)	4,272.1
Operating income (loss)	(12.1)	285.3	(2,366.7)	—	(2,093.5)
Equity in earnings (loss) of subsidiaries and discontinued operations, net of taxes	(2,139.7)	—	—	2,139.7	—
Interest expense and other financing costs	137.8	22.1	81.9	(77.6)	164.2
Other expense (income), net	(28.6)	(2.9)	21.7	77.6	67.8
Income (loss) before income taxes, discontinued operations and cumulative effect of change in accounting principle	(2,261.0)	266.1	(2,470.3)	2,139.7	(2,325.5)
Income tax expense (benefit)	(29.4)	95.1	58.0	—	123.7
Income (loss) from continuing operations before discontinued operations and cumulative effect of change in accounting principle	(2,231.6)	171.0	(2,528.3)	2,139.7	(2,449.2)
Income from discontinued operations, net	—	—	217.6	—	217.6
Cumulative effect of a change in accounting principle, net of tax	(2,008.7)	—	(2,008.7)	2,008.7	(2,008.7)
Net income (loss)	(4,240.3)	171.0	(4,319.4)	4,148.4	(4,240.3)
Preferred stock dividends	10.4	—	—	—	10.4
Net income (loss) applicable to common shareowners	$(4,250.7)	$171.0	$(4,319.4)	$4,148.4	$(4,250.7)

Condensed Consolidating Balance Sheets
(dollars in millions)

	As of December 31, 2004				
	Parent (CBT Note Guarantor)	CBT Issuer	Other (Non-guarantors)	Eliminations	Total
Cash and cash equivalents	$ 22.7	$ 1.4	$ 0.8	$ —	$ 24.9
Receivables, net	2.4	67.6	69.0		139.0
Other current assets	13.5	31.2	62.6	(11.4)	95.9
Total current assets	38.6	100.2	132.4	(11.4)	259.8
Property, plant and equipment, net	0.9	605.4	244.8	—	851.1
Goodwill and other intangibles, net	—	—	76.7	—	76.7
Investments in and advances to subsidiaries	1,065.2	—	—	(1,065.2)	—
Other noncurrent assets	346.0	11.5	646.0	(232.4)	771.1
Total assets	$1,450.7	$717.1	$1,099.9	$(1,309.0)	$1,958.7
Current portion of long-term debt	$ 4.3	$ 24.1	$ 1.7	$ —	$ 30.1
Accounts payable	0.2	34.6	24.1	—	58.9
Other current liabilities	76.9	75.2	54.5	1.8	208.4
Total current liabilities	81.4	133.9	80.3	1.8	297.4
Long-term debt, less current portion	1,870.2	240.7	0.2	—	2,111.1
Other noncurrent liabilities	123.6	67.0	67.0	(122.1)	135.5
Intercompany payables	—	23.9	549.9	(573.8)	—
Total liabilities	2,075.2	465.5	697.4	(694.1)	2,544.0
Minority interest	—	—	39.2	—	39.2
Shareowners' equity (deficit)	(624.5)	251.6	363.3	(614.9)	(624.5)
Total liabilities and shareowners' equity (deficit)	$1,450.7	$717.1	$1,099.9	$(1,309.0)	$1,958.7

	As of December 31, 2003				
	Parent (CBT Note Guarantor)	CBT Issuer	Other (Non-guarantors)	Eliminations	Total
Cash and cash equivalents	$ 23.5	$ 1.7	$ 0.8	$ —	$ 26.0
Receivables, net	0.1	78.6	61.8	—	140.5
Other current assets	3.6	47.5	42.8	(1.0)	92.9
Total current assets	27.2	127.8	105.4	(1.0)	259.4
Property, plant and equipment, net	1.2	642.9	254.7	—	898.8
Goodwill and other intangibles, net	—	—	88.1	—	88.1
Investments in and advances to subsidiaries	1,095.9	—	—	(1,095.9)	—
Other noncurrent assets	367.0	12.9	584.2	(136.9)	827.2
Total assets	$1,491.3	$783.6	$1,032.4	$(1,233.8)	$2,073.5
Current portion of long-term debt	$ 5.3	$ 5.3	$ 2.7	$ —	$ 13.3
Accounts payable	0.6	38.3	25.6	—	64.5
Other current liabilities	80.9	80.4	91.3	(23.6)	229.0
Total current liabilities	86.8	124.0	119.6	(23.6)	306.8
Long-term debt, less current portion	2,012.1	262.4	—	—	2,274.5
Other noncurrent liabilities	71.8	99.9	74.5	(114.3)	131.9
Intercompany payables	—	28.8	456.7	(485.5)	—
Total liabilities	2,170.7	515.1	650.8	(623.4)	2,713.2
Minority interest	—	—	39.7	—	39.7
Shareowners' equity (deficit)	(679.4)	268.5	341.9	(610.4)	(679.4)
Total liabilities and shareowners' equity (deficit)	$1,491.3	$783.6	$1,032.4	$(1,233.8)	$2,073.5

Condensed Consolidating Statements of Cash Flows
(dollars in millions)

	For the year ended December 31, 2004				
	Parent (CBT Note Guarantor)	CBT Issuer	Other (Non-guarantors)	Eliminations	Total
Cash flows provided by (used in) operating activities	$ (33.5)	$ 251.2	$ 83.0	$—	$ 300.7
Capital expenditures	—	(80.2)	(53.7)	—	(133.9)
Proceeds from sale of assets	—	—	3.3	—	3.3
Other investing activities	3.3	3.0		—	6.3
Cash Flows provided by (used in) investing activities	3.3	(77.2)	(50.4)	—	(124.3)
Issuance of long-term debt	—	—	—	—	—
Capital contributions and other intercompany transactions	206.8	(173.4)	(33.4)	—	0.0
Repayment of long-term debt	(169.5)	(3.0)	0.7	—	(171.8)
Issuance of common shares — exercise of stock options	2.4	—	—	—	2.4
Other financing activities	(10.2)	2.1	—	—	(8.1)
Cash Flows provided by (used in) financing activities	29.5	(174.3)	(32.7)	—	(177.5)
Increase (decrease) in cash and cash equivalents	(0.7)	(0.3)	(0.1)	—	(1.1)
Beginning cash and cash equivalents	23.5	1.7	0.8	—	26.0
Ending cash and cash equivalents	$ 22.8	$ 1.4	$ 0.7	$—	$ 24.9

	For the year ended December 31, 2003				
	Parent (CBT Note Guarantor)	CBT Issuer	Other (Non-guarantors)	Eliminations	Total
Cash flows provided by (used in) operating activities	$ 339.0	$ 277.3	$(305.7)	$—	$ 310.6
Capital expenditures	(0.1)	(81.0)	(45.3)	—	(126.4)
Proceeds from sale of broadband assets	—	—	82.7	—	82.7
Other investing activities	3.2	—	(2.3)	—	0.9
Cash Flows provided by (used in) investing activities	3.1	(81.0)	35.1	—	(42.8)
Issuance of long-term debt	1,390.0	—	—	—	1,390.0
Capital contributions and other intercompany transactions	(299.3)	(173.0)	472.3	—	—
Repayment of long-term debt	(1,371.3)	(24.2)	(195.1)	—	(1,590.6)
Issuance of common shares — exercise of stock options	2.2	—	—	—	2.2
Other financing activities	(78.8)	—	(9.5)	—	(88.3)
Cash Flows provided by (used in) financing activities	(357.2)	(197.2)	267.7	—	(286.7)
Increase (decrease) in cash and cash equivalents	(15.1)	(0.9)	(2.9)	—	(18.9)
Beginning cash and cash equivalents	38.6	2.6	3.7	—	44.9
Ending cash and cash equivalents	$ 23.5	$ 1.7	$ 0.8	$—	$ 26.0

	For the year ended December 31, 2002				
	Parent (CBT Note Guarantor)	CBT Issuer	Other (Non-guarantors)	Eliminations	Total
Cash flows provided by (used in) operating activities	$ 4.1	$ 326.8	$(138.3)	$—	$ 192.6
Capital expenditures	(0.2)	(80.3)	(95.4)	—	(175.9)
Proceeds from sale of discontinued operations	—	—	345.0	—	345.0
Other investing activities	—	—	23.3	—	23.3
Cash flows provided by (used in) investing activities	(0.2)	(80.3)	272.9	—	192.4
Issuance of long-term debt	—	—	151.0	—	151.0
Capital contributions and other intercompany transactions	486.9	(217.3)	(269.6)	—	—
Repayment of long-term debt	(450.0)	(26.6)	(0.3)	—	(476.9)
Issuance of common shares — exercise of stock options	0.8	—	—	—	0.8
Other financing activities	(20.3)	—	(24.7)	—	(45.0)
Cash flows provided by (used in) financing activities	17.4	(243.9)	(143.6)	—	(370.1)
Increase (decrease) in cash and cash equivalents	21.3	2.6	(9.0)	—	14.9
Beginning cash and cash equivalents	17.3	—	12.7	—	30.0
Ending cash and cash equivalents	$ 38.6	$ 2.6	$ 3.7	$—	$ 44.9

Form 10-K

7¼% Senior Notes Due 2013 and 8⅜% Senior Subordinated Notes

In 2003, the Parent Company issued the 7¼% Senior Notes Due 2013 and 8⅜% Senior Subordinated Notes Due 2014. As of December 31, 2004, both were guaranteed by the following subsidiaries of the Parent Company: Cincinnati Bell Public Communications Inc., ZoomTown.com Inc., Cincinnati Bell Complete Protection Inc., BRFS LLC, BRHI Inc., Cincinnati Bell Any Distance Inc., Cincinnati Bell Telecommunication Services Inc., Cincinnati Bell Wireless Company and Cincinnati Bell Wireless Holdings LLC. No other subsidiaries of the Parent Company guarantee this debt. Each subsidiary guarantor is 100% owned directly and indirectly by the Parent Company and the guarantees are full and unconditional and joint and several. Substantially all of the Parent Company's income and cash flow is generated by its subsidiaries. Generally, funds necessary to meet the Parent Company's debt service obligations are provided by distributions or advances from its subsidiaries.

The following information sets forth the consolidating balance sheets of the Company as of December 31, 2004 and December 31, 2003, and the consolidating statements of income and cash flows for the periods ended December 31, 2004, 2003 and 2002 of: (1) Cincinnati Bell Inc., the Parent Company and issuer; (2) the guarantor subsidiaries on a combined basis, and; (3) the non-guarantor subsidiaries on a combined basis:

Condensed Consolidating Statements of Operations
(dollars in millions)

	For the year ended December 31, 2004				
	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Revenue	$ —	$137.6	$1,099.2	$ (29.7)	$1,207.1
Operating costs and expenses	19.8	122.6	795.1	(29.7)	907.8
Operating income (loss)	(19.8)	15.0	304.1	—	299.3
Equity in earnings (loss) of subsidiaries and discontinued operations, net of taxes	175.9	—	—	(175.9)	—
Interest expense and other financing costs	185.5	10.9	32.2	(25.3)	203.3
Other expense (income), net	(21.5)	(0.9)	(7.2)	25.3	(4.3)
Income (loss) before income taxes	(7.9)	5.0	279.1	(175.9)	100.3
Income tax expense (benefit)	(72.1)	0.1	108.1	—	36.1
Net income (loss)	64.2	4.9	171.0	(175.9)	64.2
Preferred stock dividends	10.4	—	—	—	10.4
Net income (loss) applicable to common shareowners	$ 53.8	$ 4.9	$ 171.0	$(175.9)	$ 53.8

	For the year ended December 31, 2003				
	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Revenue	$ —	$211.9	$1,397.8	$ (51.9)	$1,557.8
Operating costs and expenses	27.3	201.1	697.3	(51.9)	873.8
Operating income (loss)	(27.3)	10.8	700.5	—	684.0
Equity in earnings (loss) of subsidiaries and discontinued operations, net of taxes	1,160.7	—	—	(1,160.7)	—
Interest expense and other financing costs	202.3	4.6	87.7	(60.4)	234.2
Other expense (income), net	(44.1)	8.5	7.8	60.4	32.6
Income (loss) before income taxes, discontinued operations and cumulative effect of change in accounting principle	975.2	(2.3)	605.0	(1,160.7)	417.2
Income tax expense (benefit)	(270.8)	(91.1)	(466.9)	—	(828.8)
Income (loss) from continuing operations before discontinued operations					—
and cumulative effect of change in accounting principle	1,246.0	88.8	1,071.9	(1,160.7)	1,246.0
Cumulative effect of a change in accounting principle, net of tax	85.9	0.2	85.7	(85.9)	85.9
Net income (loss)	1,331.9	89.0	1,157.6	(1,246.6)	1,331.9
Preferred stock dividendes	10.4	—	—	—	10.4
Net income (loss) applicable to common shareowners	$1,321.5	$ 89.0	$1,157.6	$(1,246.6)	$1,321.5

	For the year ended December 31, 2002				
	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Revenue	$ —	$229.5	$ 2,029.0	$ (79.9)	$ 2,178.6
Operating costs and expenses	12.1	226.4	4,113.5	(79.9)	4,272.1
Operating income (loss)	(12.1)	3.1	(2,084.5)	—	(2,093.5)
Equity in earnings (loss) of subsidiaries and discontinued operations, net of taxes	(2,139.7)	—	—	2,139.7	—
Interest expense and other financing costs	137.8	3.7	100.3	(77.6)	164.2
Other expense (income), net	(28.6)	22.3	(3.5)	77.6	67.8
Income (loss) before income taxes, discontinued operations and cumulative effect of change in accounting principle	(2,261.0)	(22.9)	(2,181.3)	2,139.7	(2,325.5)
Income tax expense (benefit)	(29.4)	13.0	140.1	—	123.7
Income (loss) from continuing operations before discontinued operations		—			—
and cumulative effect of change in accounting principle	(2,231.6)	(35.9)	(2,321.4)	2,139.7	(2,449.2)
Income from discontinued operations, net	—	—	217.6	—	217.6
Cumulative effect of a change in accounting principle, net of tax	(2,008.7)	—	(2,008.7)	2,008.7	(2,008.7)
Net income (loss)	(4,240.3)	(35.9)	(4,112.5)	4,148.4	(4,240.3)
Preferred stock dividendes	10.4	—	—	—	10.4
Net income (loss) applicable to common shareowners	$(4,250.7)	$ (35.9)	$(4,112.5)	$4,148.4	$(4,250.7)

Condensed Consolidating Balance Sheets
(dollars in millions)

	December 31, 2004				
	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Cash and cash equivalents	$ 22.7	$ 0.2	$ 2.0	$ —	$ 24.9
Receivables, net	2.4	30.5	106.1		139.0
Other current assets	13.5	20.5	73.3	(11.4)	95.9
Total current assets	38.6	51.2	181.4	(11.4)	259.8
Property, plant and equipment, net	0.9	9.6	840.6	—	851.1
Goodwill and other intangibles, net	—	10.3	66.4	—	76.7
Investments in and advances to subsidiaries	1,065.2	235.8	—	(1,301.0)	—
Other noncurrent assets	346.0	121.4	536.1	(232.4)	771.1
Total assets	$1,450.7	$428.3	$1,624.5	$(1,544.8)	$1,958.7
Current portion of long-term debt	$ 4.3	$ —	$ 25.8	$ —	$ 30.1
Accounts payable	0.2	23.1	35.6		58.9
Other current liabilities	76.9	6.5	123.2	1.8	208.4
Total current liabilities	81.4	29.6	184.6	1.8	297.4
Long-term debt, less current portion	1,870.2	—	240.9	—	2,111.1
Other noncurrent liabilities	123.6	36.8	97.2	(122.1)	135.5
Intercompany payables	—	417.8	239.5	(657.3)	—
Total liabilities	2,075.2	484.2	762.2	(777.6)	2,544.0
Minority interest	—	—	39.2	—	39.2
Shareowners' equity (deficit)	(624.5)	(55.9)	823.1	(767.2)	(624.5)
Total liabilities and shareowners' equity (deficit)	$1,450.7	$428.3	$1,624.5	$(1,544.8)	$1,958.7

	December 31, 2003				
	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Cash and cash equivalents	$ 23.5	$ 0.1	$ 2.4	$ —	$ 26.0
Receivables, net	0.1	39.6	100.8	—	140.5
Other current assets	3.6	6.8	83.5	(1.0)	92.9
Total current assets	27.2	46.5	186.7	(1.0)	259.4
Property, plant and equipment, net	1.2	9.5	888.1	—	898.8
Goodwill and other intangibles, net	—	10.3	77.8	—	88.1
Investments in and advances to subsidiaries	1,095.9	276.1	40.0	(1,412.0)	—
Other noncurrent assets	367.0	127.4	469.7	(136.9)	827.2
Total assets	$1,491.3	$469.8	$1,662.3	$(1,549.9)	$2,073.5
Current portion of long-term debt	$ 5.3	$ —	$ 8.0	$ —	$ 13.3
Accounts payable	0.6	24.5	39.4	—	64.5
Other current liabilities	80.9	19.5	152.2	(23.6)	229.0
Total current liabilities	86.8	44.0	199.6	(23.6)	306.8
Long-term debt, less current portion	2,012.1	—	262.4	—	2,274.5
Other noncurrent liabilities	71.8	34.1	140.3	(114.3)	131.9
Intercompany payables	—	362.0	285.3	(647.3)	—
Total liabilities	2,170.7	440.1	887.6	(785.2)	2,713.2
Minority interest	—	—	39.7	—	39.7
Shareowners' equity (deficit)	(679.4)	29.7	735.0	(764.7)	(679.4)
Total liabilities and shareowners' equity (deficit)	$1,491.3	$469.8	$1,662.3	$(1,549.9)	$2,073.5

Form 10-K

Condensed Consolidating Statements of Cash Flows
(dollars in millions)

	For the year ended December 31, 2004				
	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Cash flows provided by (used in) operating activities	$ (33.5)	$ 65.6	$ 268.6	$—	$ 300.7
Capital expenditures	—	(8.7)	(125.2)	—	(133.9)
Other investing activities	3.3	1.4	4.9	—	9.6
Cash flows provided by (used in) investing activities	3.3	(7.3)	(120.3)	—	(124.3)
Issuance of long-term debt	—	—	—	—	—
Capital contributions	206.8	(58.2)	(148.6)	—	0.0
Repayment of long-term debt	(169.5)	—	(2.3)	—	(171.8)
Issuance of common shares — exercise of stock options	2.4	—	—	—	2.4
Other financing activities	(10.2)	—	2.1	—	(8.1)
Cash flows provided by (used in) financing activities	29.5	(58.2)	(148.8)	—	(177.5)
Increase (decrease) in cash and cash equivalents	(0.7)	0.1	(0.5)	—	(1.1)
Beginning cash and cash equivalents	23.5	0.2	2.3	—	26.0
Ending cash and cash equivalents	$ 22.8	$ 0.3	$ 1.8	$—	$ 24.9

	For the year ended December 31, 2003				
	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Cash flows provided by (used in) operating activities	$ 339.0	$(5.8)	$ (22.6)	$—	$ 310.6
Capital expenditures	(0.1)	(4.9)	(121.4)	—	(126.4)
Proceeds from sale of discontinued operations	—	—	82.7	—	82.7
Other investing activities	3.2	3.8	(6.1)	—	0.9
Cash flows provided by (used in) investing activities	3.1	(1.1)	(44.8)	—	(42.8)
Issuance of long-term debt	1,390.0	—	—	—	1,390.0
Capital contributions	(299.3)	6.8	292.5	—	—
Repayment of long-term debt	(1,371.3)	—	(219.3)	—	(1,590.6)
Issuance of common shares — exercise of stock options	2.2	—	—	—	2.2
Other financing activities	(78.8)	—	(9.5)	—	(88.3)
Cash flows provided by (used in) financing activities	(357.2)	6.8	63.7	—	(286.7)
Increase (decrease) in cash and cash equivalents	(15.1)	(0.1)	(3.7)	—	(18.9)
Beginning cash and cash equivalents	38.6	0.2	6.1	—	44.9
Ending cash and cash equivalents	$ 23.5	$ 0.1	$ 2.4	$—	$ 26.0

	For the year ended December 31, 2002				
	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Cash flows provided by (used in) operating activities	$ 4.1	$ 11.1	$ 177.4	$—	$ 192.6
Capital expenditures	(0.2)	(4.9)	(170.8)	—	(175.9)
Proceeds from sale of discontinued operations	—	—	345.0	—	345.0
Other investing activities	—	23.3	—	—	23.3
Cash flows provided by (used in) investing activities	(0.2)	18.4	174.2	—	192.4
Issuance of long-term debt	—	—	151.0	—	151.0
Capital contributions	486.9	(29.3)	(457.6)	—	—
Repayment of long-term debt	(450.0)	—	(26.9)	—	(476.9)
Issuance of common shares — exercise of stock options	0.8	—	—	—	0.8
Other financing activities	(20.3)	—	(24.7)	—	(45.0)
Cash flows provided by (used in) financing activities	17.4	(29.3)	(358.2)	—	(370.1)
Increase (decrease) in cash and cash equivalents	21.3	0.2	(6.6)	—	14.9
Beginning cash and cash equivalents	17.3	—	12.7	—	30.0
Ending cash and cash equivalents	$ 38.6	$ 0.2	$ 6.1	$—	$ 44.9

The guarantor structure associated with the 7¼% Notes Due 2013 and the 8⅜% Senior Subordinated Notes Due 2014 has changed pursuant to the Company's 2005 refinancing plan. As part of that plan, certain subsidiaries that were previously not guarantors have now been added as guarantors of these notes. Refer to Note 23.

21. Quarterly Financial Information (Unaudited)

(dollars in millions except per common share amounts)	First	Second	Third	Fourth	Total
2004					
Revenue	$302.4	$297.0	$307.9	$299.8	$1,207.1
Operating income	72.8	80.4	82.6	63.5	299.3
Income from:					
Continuing operations before discontinued operations and cumulative effect of change in accounting principle	10.9	14.9	17.5	20.9	64.2
Net Income	10.9	14.9	17.5	20.9	64.2
Basic earnings per common share from continuing operations	$ 0.03	$ 0.05	$ 0.06	$ 0.07	$ 0.22
Diluted earnings per common share from continuing operations	$ 0.03	$ 0.05	$ 0.06	$ 0.07	$ 0.21

(dollars in millions except per common share amounts)	First	Second	Third	Fourth	Total
2003					
Revenue	$480.7	$450.6	$315.3	$311.2	$1,557.8
Operating income	99.2	395.1	129.6	60.1	684.0
Income from:					
Continuing operations before discontinued operations and cumulative effect of change in accounting principle	37.9	320.4	44.7	843.0	1,246.0
Cumulative effect of change in accounting principle	85.9	—	—	—	85.9
Net Income	$123.8	$320.4	$ 44.7	$843.0	$1,331.9
Basic earnings per common share from continuing operations	$ 0.16	$ 1.45	$ 0.19	$ 3.44	$ 5.44
Diluted earnings per common share from continuing operations	$ 0.16	$ 1.33	$ 0.18	$ 3.17	$ 5.02

2004 Unusual Items

In the fourth quarter of 2004, the Company recorded a restructuring charge of $11.4 million intended to improve operating efficiencies and reduce operating expenses. The net effect of the charge related to the restructuring charge decreased diluted earnings per share by $0.03 in the fourth quarter.

In the first, second and third quarters of 2004, the Company recorded additional quarterly depreciation expense of $5.2 million, and recorded $5.0 million in the fourth quarter of 2004 related to the shortening of the economic useful life of its TDMA network assets to the final in-service date of December 31, 2006. The net effect of the depreciation expense decreased diluted earnings per share by $0.01 in the first and second quarters and $0.02 in the third quarter and fourth quarters.

In the third and fourth quarter of 2004, the Company recorded additional amortization expense of $5.6 million and $1.8 million, respectively, related to the roaming and trade name agreements which were no longer operative as a result of the merger between Cingular Wireless and AT&T Wireless. The net effect of the amortization expense decreased diluted earnings per share by $0.01 in the third quarter and had an immaterial impact in the fourth quarter.

In the first, third and fourth quarter of 2004, the Company retired certain assets and recorded asset impairment charges of $2.4 million, $1.7 million and $1.8 million, respectively. The net effect of the charge related to the asset impairments decreased diluted earnings per share by $0.01 in the first quarter and had an immaterial impact in the third and fourth quarter.

In the fourth quarter of 2004, the Company recorded a $3.2 million adjustment related to prior periods to account for certain rent escalations associated with its tower site leases on a straight-line basis. These rent escalations are associated with lease renewal options that were deemed to be reasonably assured of renewal, thereby extending the initial term of the leases. The net effect of the adjustment decreased diluted earnings per share by $0.01 in the fourth quarter. The adjustment was not considered material to the current year or to any prior years' earnings, earnings trends or individual financial statement line items.

In the fourth quarter of 2004, the Company recorded a non-cash income tax benefit of $12.6 million resulting from a change in estimated future tax benefits. The net effect of the income related to the income tax benefit increased diluted earnings per share by $0.05 in the fourth quarter.

2003 Unusual Items

In the first quarter of 2003, the Company recorded a non-recurring increase to net income of $85.9 million, net of tax, associated with the adoption of SFAS 143 as a change in accounting principle (refer to Note 1). The net effect of the income related to depreciation previously recorded increased diluted earnings per share by $0.39 in the first quarter.

In the second, third and fourth quarter of 2003, the Company sold substantially all the assets of its broadband business (refer to Note 2). The Company recorded a gain on sale of broadband assets of $299.0 million, $37.3 million and $0.4 million, which contributed $1.20 and $0.16 to diluted earnings per share in the second and third quarter, respectively and had an immaterial effect on fourth quarter diluted earnings per share.

The Company reached a final settlement agreement regarding a construction contract that was in dispute in February 2004. As part of the settlement, both parties agreed to drop their respective claims for monetary damages. The Company recorded a $5.2 million charge in the fourth quarter of 2003 as a result of this settlement. The net impact of this charge reduced the Company's fourth quarter diluted earnings per share by $0.01.

In the third quarter of 2003, the Company recorded a $17.4 million non-cash charge on the exchange of $46.0 million of 9% Senior Subordinated Notes of BRCOM for 11.1 million shares of common stock in Cincinnati Bell Inc. The net impact of this charge reduced the Company's diluted earnings per share by $0.07. Additionally, the Company recorded a non-cash charge of $8.4 million to interest expense to write-off deferred financing costs related to the Company's credit facilities, which were reduced using the proceeds from the issuance of the 7¼% Senior Notes due 2013. The net impact of this charge reduced the Company's fourth quarter diluted earnings per share by $0.04.

In the fourth quarter of 2003, the Company recorded a non-cash gain of $16.2 million due to the extinguishment of the Company's convertible subordinated debentures, which were purchased at 97% of accreted value. The net impact of this gain increased the Company's fourth quarter diluted earnings per share by $0.04.

In the fourth quarter of 2003, the Company recorded a gain of $10.0 million due to the modification of a lease at the Company's headquarters. This modification required the lease to be reclassified from a capital lease to an operating lease. The net impact of this gain increased the Company's fourth quarter diluted earnings per share by $0.02.

In the fourth quarter of 2003, the Company recorded a non-cash income tax benefit of $823.0 million resulting primarily from the reversal of substantially all the deferred tax asset valuation allowance related to the uncertainties surrounding BRCOM's liquidity, which were substantially mitigated in 2003. The net impact of the income tax benefit increased the Company's fourth quarter diluted earnings per share by $3.08.

22. Concentrations

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

The Local, Wireless, Hardware and Managed Services and Other segments, which operate in and generate substantially all of their respective revenue from the Greater Cincinnati area, produced one hundred percent of the Company's consolidated revenue in 2004.

23. Subsequent Event

In early 2005, the Company completed the first stage of a refinancing plan, the primary objective of which is to provide for financial flexibility with regard to the future extinguishment of its 16% notes. By so doing, the Company expects to be able to refinance the 16% notes at a significant interest expense reduction with senior bank debt or new senior securities. The 16% notes mature in January 2009 and are callable at 108% of their accreted value on March 26, 2006, which the Company currently estimates to be $425.6 million at that date.

The Company sought, and received, a consent ("the consent") from the holders of its 7¼% Notes that would allow the Company to refinance the 16% notes. In January 2005, the indenture governing the 7¼% Senior notes due 2013 (the "7¼% Indenture") was amended to, among other things, permit the Company to repurchase or redeem the 16% notes without regard to the extent of the Company's ability to make restricted payments (as defined in the 7¼% Indenture) under the restricted payments covenant of the 7¼% Indenture. The consent, among other things, also permits the classification of any potential call by the Company of Cingular Wireless Corporation's minority interest ownership as a "permitted acquisition" and would therefore not be considered a restricted payment with regard to the 7¼% Notes Indenture. In February 2005, the indenture governing the 16% notes was amended to, among other things, eliminate the Company's restrictions relating to BRCOM, the Company's broadband subsidiary.

On February 16, 2005, as part of the refinancing plan, the Company sold in a private offering $250.0 million of new 7% Senior Notes Due 2015 and $100.0 million in additional 8⅜% Notes Due 2014 (collectively, the "New Bonds"). The net proceeds from the issuance of the New Bonds together with borrowings under the Company's new credit facility were used to repay all outstanding borrowings of $438.8 million and terminate the Company's prior credit facility and to pay the consent fees associated with the consent. The New Bonds are fixed rate bonds to maturity and are not callable until February 15, 2010 and January 15, 2009, respectively.

The Company established a new $250 million revolving credit facility, ("the new credit facility"), on February 16, 2005. Under the terms of the new credit facility, the Company has the right to request, but no lender is committed to provide, an increase in the aggregate amount of the new credit facility of up to

$500 million in future incremental borrowing capacity (in addition to the $250 million in initial borrowing capacity), which should be sufficient to fully prepay the 16% notes. The Company used the net proceeds of approximately $345.7 million from the New Bond issues and initial direct borrowings of approximately $110.0 million from the new revolving credit facility in order to terminate the prior credit facility and pay financing and other fees associated with the refinancing plan, leaving $140.0 million in additional borrowing capacity as of the February 16, 2005 date of closing. Additionally, the Company wrote-off approximately $7.9 million in unamortized deferred financing fees associated with the prior credit facility. As of February 16, 2005, the Company's subsidiaries that guarantee the credit facility also unconditionally guarantee the New Bonds, the 7¼% Senior notes due 2013 and the 8⅜% notes.

Pursuant to a series of transactions in late February and early March 2005, the Company executed additional fixed-to-floating interest rate swaps with notional amounts of $350 million in order to: (a) hedge the fair value risk associated with additional fixed coupon debt and (b) re-balance the fixed-to-floating rate mix with regard to the Company's capital structure. The New Bonds have fixed interest rates to their maturity. The interest rate swaps essentially change the fixed rate nature of these bond issues to mimic the floating rates paid on the prior credit facility.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

No reportable information under this item.

Item 9A. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

The term "disclosure controls and procedures" (defined in SEC Rule 13a-15(e)) refers to the controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within required time periods. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Cincinnati Bell Inc.'s management, with the participation of the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2004 (the "Evaluation Date"). Based on that evaluation, Cincinnati Bell Inc.'s Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, such controls and procedures were effective.

(b) Management's 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 thereon are set forth in Part II, Item 8 of this Annual Report on Form 10-K.

(c) Changes in internal controls over financial reporting.

The term "internal control over financial reporting" (defined in SEC Rule 13a-15(f)) refers to the process of a company that is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Cincinnati Bell Inc.'s management, with the participation of the Chief Executive Officer and Chief Financial Officer, have evaluated any changes in the Company's internal control over financial reporting that occurred during the fourth quarter of 2004, and they have concluded that there was no change to Cincinnati Bell Inc.'s internal control over financial reporting in the fourth quarter of 2004 that has materially affected, or is reasonably likely to materially affect, Cincinnati Bell Inc.'s internal control over financial reporting.

Item 9B. Other Information

No reportable information under this item.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information required by Item 401, Item 405 and Item 406 of Regulation S-K regarding directors of Cincinnati Bell Inc. can be found in the Proxy Statement for the Company's 2005 Annual Meeting of Shareholders, dated March 29, 2005, and 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 Principal Accounting Officer is filed as an exhibit to this Form 10-K and 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, the Company will post on its web site 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 2004 the Company's Chief Executive Officer submitted to the New York Stock Exchange 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 December 31, 2004 are as follows:

Name	Age	Title
John F. Cassidy (a)	50	President and Chief Executive Officer
Brian A. Ross	47	Chief Financial Officer
Michael W. Callaghan	57	Senior Vice President, Corporate Development
Mary E. McCann	42	Senior Vice President, Internal Controls
Christopher J. Wilson	39	Vice President and General Counsel
Brian G. Keating	51	Vice President, Human Resources and Administration
Michael S. Vanderwoude	35	Vice President, Investor Relations and Corporate Communications
Mark W. Peterson	50	Vice President and Treasurer
Gary A. Cornett	46	Vice President and Controller

(a) Member of the Board of Directors

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

JOHN F. CASSIDY, President and Chief Executive Officer since July 2003, Director of the Company since September 2002, President and Chief Operating Officer of Cincinnati Bell Telephone since May 2001; President of Cincinnati Bell Wireless since 1997; Senior Vice President, National Sales & Distribution of Rogers Cantel in Canada from 1992–1996; Vice President, Sales and Marketing, Ericsson Mobile Communications from 1990–1992; Vice President, Sales and Marketing, General Electric Company from 1988–1990.

BRIAN A. ROSS, Chief Financial Officer of the Company since 2004, Senior Vice President of Finance and Accounting of the Company in 2003; Vice President of Finance and Accounting of the Company's Cincinnati-based operating subsidiaries from 2001–2003; Vice President of Finance and Accounting of Cincinnati Bell Wireless from 1999–2001.

MICHAEL W. CALLAGHAN, Senior Vice President, Corporate Development of the Company since March 1999; Vice President, Corporate Development of Convergys Corporation, 1998–1999; Vice President, Corporate Development of the Company, 1994–1998; Corporate Director of Video and Interactive Services of Ameritech from 1991–1994; President of Scripps Howard Cable, 1984–1991.

MARY E. McCANN, Senior Vice President, Internal Controls of the Company since July 2002; Senior Vice President, Corporate Finance of the Company from December 2001 to July 2002; Vice President, Controller of the Company from February 1999 to December 2001; Director of Financial Planning of Cincinnati Bell Telephone from April 1998 to February 1999; Manager of Financial Reporting and Analysis of Cincinnati Bell Telephone from August 1996 to April 1998; Senior Financial Analyst from May 1995 to August 1996.

CHRISTOPER J. WILSON, Vice President and General Counsel of the Company since August 2003; Associate General Counsel and Assistant Corporate Secretary for the Company's Cincinnati-based operating subsidiaries from 1999–2003.

BRIAN G. KEATING, Vice President, Human Resources and Administration of the Company since August 2003; Vice President, Human Resources and Administration of the Cincinnati Operations, 2000–2003; Director of Labor Relations, Staffing and Safety of the Company, 1988–2000;

MICHAEL S. VANDERWOUDE, Vice President of Investor Relations and Corporate Communications of the Company since January 2004; Vice President of Business Development, 2003, Vice President of Product Management and Development, 2001–2002; General Manager of Cincinnati Bell Any Distance, 2000; Director of Marketing for Cincinnati Bell Wireless 1998–1999.

MARK W. PETERSON, Vice President and Treasurer of the Company since March 1999; Vice President and Assistant Treasurer of Sprint Corporation, 1996-1998; Senior Director of KPMG's Policy Economics Group, 1994–1996.

GARY A. CORNETT, Vice President and Controller of the Company since February 2004; Vice President and Controller of the Company's Cincinnati-based operating subsidiaries from 2001–2003; Senior Vice President and Chief Financial Officer of Louvers & Dampers, Inc. from 1991–2000.

Items 11 and 12. Executive Compensation and Security Ownership of Certain Beneficial Owners and Management

The information required by these items, except as disclosed below, can be found in the Proxy Statement for the Company's 2005 Annual Meeting of Shareholders dated March 29, 2005 and incorporated herein by reference.

Equity Compensation Plans

Plan Category	Number of securities to be issued upon exercise of stock options, warrants and rights	Weighted-average exercise price of outstanding stock options	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	24,503,567 (1)	$12.06	34,705,815
Equity compensation plans not approved by security holders (2)	115,635	—	—
Total	24,619,202	$12.06	34,705,815

(1) Includes 24,363,567 outstanding stock options not yet exercised and 140,000 shares of restricted stock, restrictions on which have not yet expired. Awards were granted under various incentive plans approved by Cincinnati Bell Inc. shareholders.

(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 equal to the equivalent of a number of common shares (250 common shares in 1997, 500 common shares in 1998, 1,163 common shares in 1999 and 1,500 common shares from 2000 to 2004) and for the years commencing January 2005, the award is in the amount of the equivalent of 6,000 common shares. As a result of a plan amendment effective as of January 1, 2005 that requires the payout of all annual awards to be made in cash, the number of shares to be issued pursuant to the plan as of March 29, 2005 is reduced to approximately 58,300. The plan provides that all awards are payable provided that such non-employee director completes at least five years of active service as a non-employee director or if he or she dies while a member of the Board of Directors.

For detail regarding the pro forma impact of stock options on the earnings per share calculation, refer to Note 1 of Notes to Consolidated Financial Statements. For detail regarding the range of exercise prices on outstanding stock options, refer to Note 15 of the Notes to Consolidated Financial Statements.

Item 13. Certain Relationships and Related Transactions

The information required by these items can be found in the Proxy Statement for the Company's 2005 Annual Meeting of Shareholders dated March 29, 2005 and incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by these items can be found in the Proxy Statement for the Company's 2005 Annual Meeting of Shareholders dated March 29, 2005 and incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

Exhibits

Exhibits identified in parenthesis below, on file with the Securities and Exchange Commission ("SEC"), are incorporated herein by reference as exhibits hereto.

Exhibit Number	Description
(3.1)(a)	Amended Articles of Incorporation of Cincinnati Bell (Exhibit 3.1(a) to Form S-4 dated July 17, 2003, File No. 1-8519).
(3.1)(b)	Amended Regulations of Cincinnati Bell (Exhibit 3.2 to Registration Statement No. 2-96054).
(4)(b)(i)	Rights Agreement dated as of April 29, 1997, between Broadwing and The Fifth Third Bank which includes the form of Certificate of Amendment to the Amended Articles of Incorporation of the Company as Exhibit A, the form of Rights Certificate as Exhibit B and the Summary of Rights to Purchase Preferred Stock as Exhibit C (Exhibit 4.1 to Broadwing's Registration Statement on Form 8-A filed on May 1, 1997).
(4)(b)(ii)	Amendment No. 1 to the Rights Agreement dated as of July 20, 1999, between the Broadwing and The Fifth Third Bank (Exhibit 1 to Amendment No. 1 of Broadwing's Registration Statement on Form 8-A filed on August 6, 1999).
(4)(b)(iii)	Amendment No. 2 to the Rights Agreement dated as of November 2, 1999, between Broadwing and The Fifth Third Bank (Exhibit 1 to Amendment No. 2 of Broadwing's Registration Statement on Form 8-A filed on November 8, 1999).
(4)(b)(iv)	Amendment No. 3 to the Rights Agreement dated as of June 10, 2002, between Broadwing and The Fifth Third Bank. (Exhibit 1 to Amendment No. 3 of Broadwing's Registration Statement on Form 8-A filed on July 2, 2002).
(4)(c)(i)	Indenture dated July 1, 1993, between Cincinnati Bell Inc., Issuer, and The Bank of New York, Trustee, in connection with $50,000,000 of Cincinnati Bell Inc. 7¼% Notes Due June 15, 2023. (Exhibit 4-A to Form 8-K, date of report July 12, 1993, File No. 1-8519).
(4)(c)(ii)(1)	Indenture dated as of October 27, 1993, among Cincinnati Bell Telephone Company, as Issuer, Cincinnati Bell Inc., as Guarantor, and The Bank of New York, as Trustee. (Exhibit 4-A to Current Report on Form 8-K, filed October 27, 1993, File No. 1-8519).
(4)(c)(ii)(2)+	First Supplemental Indenture dated as of December 31, 2004 to the Indenture dated October 27, 1993 by and among Cincinnati Bell Telephone Company, as Issuer, Cincinnati Bell Inc. as Guarantor, and The Bank of New York, as Trustee (filed herewith).
(4)(c)(ii)(3)+	Second Supplemental Indenture dated as of January 10, 2005 to the Indenture dated October 27, 1993 by and among Cincinnati Bell Telephone Company, as Issuer, Cincinnati Bell Inc. as Guarantor, and The Bank of New York, as Trustee (filed herewith).
(4)(c)(iii)(1)	Indenture dated as of November 30, 1998 among Cincinnati Bell Telephone Company, as Issuer, Cincinnati Bell Inc., as Guarantor, and The Bank of New York, as Trustee. (Exhibit 4-A to Current Report on Form 8-K, filed November 30, 1998, File No. 1-8519).

Form 10-K

(4)(c)(iii)(2)+	First Supplemental Indenture dated as of January 10, 2005 to the Indenture dated November 30, 1998 among Cincinnati Bell Telephone Company, as Issuer, Cincinnati Bell Inc., as Guarantor, and the Bank of New York, as Trustee (filed herewith).
(4)(c)(iii)(3)+	Second Supplemental Indenture dated as of January 10, 2005 to the Indenture dated November 30, 1998 among Cincinnati Bell Telephone Company, as Issuer, Cincinnati Bell Inc., as Guarantor, and the Bank of New York, as Trustee (filed herewith).
(4)(c)(iv)(1)	Indenture dated as of March 26, 2003, by and among Broadwing Inc., as Issuer, Cincinnati Bell Public Communications Inc., the Guarantors party thereto and The Bank of New York, as Trustee (Exhibit (4)(c)(vi) to Form 10-K for the year ended December 31, 2002, File No. 1-8519).
(4)(c)(iv)(2)	First Supplemental Indenture dated as of October 30, 2003 to the Indenture dated March 26, 2003 by and among Cincinnati Bell Inc., the Guarantors party thereto, and the Bank of New York, as Trustee (Exhibit (4)(c)(vi) (2) to Form 10-Q for the nine months ended September 30, 2003, File No. 1-8519).
(4)(c)(iv)(3)	Second Supplemental Indenture dated as of March 12, 2004 to the Indenture dated March 26, 2003 by and among Cincinnati Bell Inc., the Guarantors party thereto, and the Bank of New York, as Trustee (Exhibit 4(c)(vi)(3) to the Quarterly Report on Form 10-Q for the six months ended June 30, 2004, File No. 1-8519).
(4)(c)(iv)(4)	Third Supplemental Indenture dated as of August 4, 2004 to the Indenture dated March 26, 2003 by and among Cincinnati Bell Inc., the Guarantors party thereto, and the Bank of New York, as Trustee (Exhibit 4(c)(vi)(4) to the Quarterly Report on Form 10-Q for the six months ended June 30, 2004, File No. 1-8519).
(4)(c)(iv)(5)	Fourth Supplemental Indenture dated as of January 31, 2005 to the Indenture dated March 26, 2003 by and among Cincinnati Bell Inc., the Guarantors party thereto, and the Bank of New York, as Trustee (Exhibit 4.1 to Current Report on Form 8-K, filed February 2, 2005, File No. 1-8519).
(4)(c)(v)	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 Form 10-K for the year ended December 31, 2002, File No. 1-8519).
(4)(c)(vi)	Exchange and Registration Rights 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)(viii) to Form 10-K for the year ended December 31, 2002, File No. 1-8519).
(4)(c)(vii)	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 Form 10-K for the year ended December 31, 2002, File No. 1-8519).
(40)(c)(viii)(1)	Purchase Agreement, dated as of March 26, 2003 by and among Broadwing Inc., GS Mezzanine Partners II, L.P., GS Mezzanine Partners II Offshore, L.P., and any other affiliate purchasers of Senior Subordinated Notes due 2009. (Exhibit (4)(c)(x)(1) to Form 10-K for the year ended December 31, 2002, File No. 1-8519).
(4)(c)(viii)(2)	First Amendment to Purchase Agreement, dated as of March 26, 2003 by and among Broadwing Inc., GS Mezzanine Partners II, L.P., GS Mezzanine Partners II Offshore, L.P., and any other affiliate purchasers of Senior Subordinated Notes due 2009. (Exhibit (4)(c)(x)(2) to Form 10-K for the year ended December 31, 2002, File No. 1-8519).
(4)(c)(viii)(3)	Second Amendment to Purchase Agreement, dated as of April 30, 2004 by and among Broadwing Inc., GS Mezzanine Partners II, L.P., GS Mezzanine Partners II Offshore, L.P., and any other affiliate purchasers of Senior Subordinated Notes due 2009. (Exhibit (4)(c)(x)(3) to Form 10-Q for the Quarter ended March 31, 2004, File No. 1-8519).

(4)(c)(viii)(4)+	Third Amendment to Purchase Agreement, dated April 30, 2004, by and among Cincinnati Bell Inc., GS Mezzanine Partners II, L.P., as Mezzanine Partners II Offshore, L.P., and any other affiliate purchasers of Senior Subordinated Notes due 2009 (filed herewith).
(4)(c)(viii)(5)+	Fourth Amendment to Purchase Agreement, dated January 31, 2005, by and among Cincinnati Bell Inc., GS Mezzanine Partners II, L.P., as Mezzanine Partners II Offshore, L.P., and any other affiliate purchasers of Senior Subordinated Notes due 2009 (filed herewith).
(4)(c)(ix)(1)	Indenture dated as of July 11, 2003, by and among Cincinnati Bell Inc., as Issuer, the Guarantors party thereto and the Bank of New York, as Trustee, in connection with Cincinnati Bell 7¼% Senior Notes due 2013 (Exhibit (4)(c)(xi) on Form S-4 dated July 17, 2003, File No. 1-8519).
(4)(c)(ix)(2)	First Supplemental Indenture dated as of January 28, 2005 to the Indenture dated as of July 11, 2003, by and among Cincinnati Bell Inc., as Issuer, the Guarantors party thereto, and the Bank of New York, as Trustee (Exhibit 4.1 to Current Report on Form 8-K dated February 2, 2005, File No. 1-8519).
(4)(c)(x)(1)	Indenture dated as of November 19, 2003, by and among Cincinnati Bell Inc., as Issuer, the Guarantors party thereto and The Bank of New York, as Trustee, in connection with Cincinnati Bell 8⅜% Senior Subordinated Notes due 2014 (incorporated by reference to Exhibit (4)(c)(xiii) to Registration Statement No. 333-110940).
(4)(c)(x)(2)	8⅜% Notes Registration Rights Agreement, dated as of February 16, 2005 by and between Cincinnati Bell Inc., the Guarantors party thereto, and Banc of America Securities LLC, as Representative of the several Purchasers (Exhibit 4.3 to Current Report on Form 8-K, filed on February 23, 2005, File No. 1-8519).
(4)(c)(xi)	Indenture dated as of February 16, 2005, by and among Cincinnati Bell Inc., as Issuer, the Guarantor parties thereto, and the Bank of New York, as Trustee (Exhibit 4.1 to Current Report on Form 8-K, filed on February 23, 2005, File No. 1-8519).
(4)(c)(xii)	7.0% Notes Registration Rights Agreement, dated as of February 16, 2005, by and between Cincinnati Bell Inc., the Guarantors party thereto, and Banc of America Securities LLC, as Representative of the several Purchasers (Exhibit 4.2 to Current Report on Form 8-K, filed on February 23, 2005, File No. 1-8519).
(4)(c)(xiii)	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)(i)(1)	Credit Agreement dated as of February 16, 2005 among Cincinnati Bell Inc. as Borrower, the Guarantor parties thereto, Bank of America, N.A. as Administrative Agent, PNC Bank, National Association, as Swingline Lender, and Lenders party thereto (Exhibit 10.1 to Current Report on Form 8-K, filed February 23, 2005, File No. 1-8519).
(10)(i)(3)	Asset Purchase Agreement between Broadwing Communications Services Inc. and other seller parties thereto and CIII Communications dated as of February 22, 2003. (Exhibit (99)(i) to Current Report on Form 8-K, filed on February 28, 2003, File No. 1-8519).
(10)(i)(4.2)	Agreement and Amendment No. 2 to Operating Agreement, dated August 4, 2004 between New Cingular Wireless PCS, New Cingular Wireless Services, Inc., Cincinnati Bell Wireless Holdings LLC, Cincinnati Bell Inc., Cingular Wireless LLC, and Cincinnati Bell Wireless LLC (Exhibit 10.1 to Current Report on Form 8-K, filed August 5, 2004, File No. 1-8519).
(10)(i)(4.3)	Agreement and Amendment No. 3 to Operating Agreement, dated as of February 14, 2004 between New Cingular Wireless PCS, New Cingular Wireless Services, Inc., Cincinnati Bell Wireless Holdings LLC, Cincinnati Bell Inc., Cingular Wireless LLC, and Cincinnati Bell Wireless LLC (Exhibit 10.1 to Current Report on Form 8-K, filed February 15, 2005, File No. 1-8519).

(10)(i)(3.1)	Amendment No. 1 to the Asset Purchase Agreement dated June 6, 2003 (Exhibit (99)(i) to Form 8-K, filed on June 13, 2003, File No. 1-8519).
(10)(i)(3.2)	Letter Agreement Amendment to the Asset Purchase Agreement (Exhibit (10)(i)(A)(3)(iii) to Form S-4, filed on June 23, 2003, File No. 1-8519).
(10)(i)(4)	Operating Agreement, dated December 31, 1998 between AT&T Wireless PCS Inc. and Cincinnati Bell Wireless Company LLC (Exhibit (10)(i)(4) to Form 10-K for the year ended December 31, 2003, File No. 1-8519).
(10)(i)(4.1)	Agreement and Amendment No. 1 to Operating Agreement, dated October 16, 2003 between AT&T Wireless PCS LLC and Cincinnati Bell Wireless Company LLC (Exhibit (10)(i)(4.1) to Form 10-K for the year ended December 31, 2003, File No. 1-8519).
(10)(iii)(A)(1)*	Short Term Incentive Plan of Broadwing Inc., as amended and restated effective July 24, 2000. (Exhibit (10)(iii)(A)(1) to Form 10-Q for the three months ended June 30, 2000, File No. 1-8519).
(10)(iii)(A)(2)*	Broadwing Inc. Deferred Compensation Plan for Outside Directors, as amended and restated effective July 24, 2002. (Exhibit (10)(iii)(A)(2) to Form 10-Q for the quarter ended March 31, 2003, File No. 1-8519).
(10)(iii)(A)(3)(i)*	Broadwing Inc. Pension Program, as amended and restated effective July 24, 2000. (Exhibit (10)(iii)(A)(4) to Form 10-Q for the quarter ended June 30, 2000, File No. 1-8519).
(10)(iii)(A)(3)(ii)*	Cincinnati Bell Pension Program, as amended and restated effective March 3, 1997. (Exhibit (10)(iii)(A)(3)(ii) to Form 10-K for 1997, File No. 1-8519).
(10)(iii)(A)(4)*	Broadwing Inc. Executive Deferred Compensation Plan, as amended and restated effective January 1, 2002. (Exhibit (10)(iii)(A)(4) to Form 10-Q for the quarter ended March 31, 2003, File No. 1-8519).
(10)(iii)(A)(5)*	Broadwing Inc. 1997 Long Term Incentive Plan, as amended and restated effective July 24, 2000. (Exhibit (10)(iii)(A)(1) to Form 10-Q for the quarter ended June 30, 2000, File No. 1-8519).
(10)(iii)(A)(6)*	Cincinnati Bell Inc. 1997 Stock Option Plan for Non-Employee Directors, as revised and restated effective January 1, 2001. (Exhibit (10)(iii)(A)(6) to Form 10-Q for the quarter ended March 31, 2003, File No. 1-8519).
(10)(iii)(A)(7)*	Cincinnati Bell Inc. 1989 Stock Option Plan. (Exhibit (10)(iii)(A)(14) to Form 10-K for 1989, File No. 1-8519).
(10)(iii)(A)(8)*	Employment Agreement effective December 4, 2001 between the Company and Michael W. Callaghan. (Exhibit (10)(iii)(A)(10) to Form 10-K for the year ended December 31, 2001, File No. 1-8519).
(10)(iii)(A)(8.1)*	Amendment to Employment Agreement effective February 3, 2003 between the Company and Michael W. Callaghan. (Original Amendment to Employment Agreement filed as Exhibit 99.1 to Form 8-K, date of report February 3, 2002, File No. 1-8519).
(10)(iii)(A)(8.2)*	Amendment to Employment Agreement effective October 22, 2003 between the Company and Michael W. Callaghan. (Original Amendment to Employment Agreement filed as Exhibit (10)(iii)(A)(9.2) to Form S-4, date of report December 10, 2003, File No. 1-8519).
(10)(iii)(A)(9)*	Employment Agreement effective January 1, 1999, between Broadwing and John F. Cassidy (incorporated by reference to Exhibit (10)(iii)(A)(11.1) to Form 10-Q for the three months ended September 30, 2002, File No. 1-8519).
(10)(iii)(A)(10)*	Employment Agreement effective January 8, 2004 between the Company and Christopher J. Wilson (Exhibit (10)(iii)(A)(13) to Form 10-K for the year ended December 31, 2003, File No. 1-8519).
(10)(iii)(A)(11)*	Employment Agreement effective June 26, 2000 between the Company and Brian G. Keating (Exhibit (10)(iii)(A)(14) to Form 10-K for the year ended December 31, 2003, File No. 1-8519).

(10)(iii)(A)(12)	Code of Ethics for Senior Financial Officers, as adopted pursuant to Section 406 of Regulation S-K (Exhibit (10)(iii)(A)(15) to Form 10-K for the year ended December 31, 2003, File No. 1-8519).
(10)(iii)(A)(13)*	Summary of Director Compensation for 2005 (Item (1.01) to Form 8-K, date of report February 3, 2005, File No. 1-8519).
(10)(iii)(A)(14)*	Summary of Executive Compensation (to the extent determined) for 2005 (Item (1.01) to Form 8-K, date of report February 3, 2005, File No. 1-8519).
(21)+	Subsidiaries of the Registrant.
(23)+	Consent of 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.

+ Filed herewith.

* Management contract or compensatory plan required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K.

The Company's reports on Form 10-K, 10-Q, and 8-K are available free of charge at the following website: *http://www.cincinnatibell.com*. Upon request, the Company will furnish a copy of the Proxy Statement to its security holders without charge, portions of which are incorporated herein by reference. The Company will furnish any other exhibit at cost.

Schedule II

CINCINNATI BELL INC.
VALUATION AND QUALIFYING ACCOUNTS
(dollars in millions)

	Beginning of Period	Charge (Benefit) to Expenses	To (from) Other Accounts	Deductions	End of Period
Allowance for Doubtful Accounts					
Year 2004	$ 20.2	$ 15.9	$ —	$21.6	$ 14.5
Year 2003	$ 53.0	$ 25.0	$ —	$57.8	$ 20.2
Year 2002	$ 36.4	$ 55.6	$ —	$39.0	$ 53.0
Deferred Tax Valuation Allowance					
Year 2004	$ 171.9	$ (27.8)	$ 0.1 (b)	$ —	$ 144.2
Year 2003	$1,210.5	$(1,037.0)	$ (1.6)(a)	$ —	$ 171.9
Year 2002	$ 85.7	$ 1,110.7	$14.1 (a)	$ —	$1,210.5

(a) Includes amount related to tax benefits from stock options.

(b) Includes amount related to tax benefits credited to OCI.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CINCINNATI BELL INC.

March 16, 2005

By /s/ Brian A. Ross
Brian A. Ross
Chief Financial Officer

By /s/ Gary A. Cornett
Gary A. Cornett
Principal 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
JOHN F. CASSIDY* John F. Cassidy	President and Chief Executive Officer	March 16, 2005
PHILLIP R. COX* Phillip R. Cox	Chairman of the Board and Director	March 16, 2005
KAREN M. HOGUET* Karen M. Hoguet	Director	March 16, 2005
DANIEL J. MEYER* Daniel J. Meyer	Director	March 16, 2005
CARL REDFIELD* Carl Redfield	Director	March 16, 2005
DAVID B. SHARROCK* David B. Sharrock	Director	March 16, 2005
JOHN M. ZRNO* John M. Zrno	Director	March 16, 2005
BRUCE L. BYRNES* Bruce L. Byrnes	Director	March 16, 2005
MICHAEL G. MORRIS* Michael G. Morris	Director	March 16, 2005
ROBERT W. MAHONEY* Robert W. Mahoney	Director	March 16, 2005

*By: /s/ John F. Cassidy March 16, 2005

John F. Cassidy
as attorney-in-fact and on his behalf
as Principal Executive Officer and Chief Executive Officer

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Annual Meeting
The annual meeting of shareholders will be held at the Reakirt Auditorium, Cincinnati Museum Center at Union Terminal, 1301 Western Avenue, Cincinnati, Ohio, at 11:00 a.m. (EDT) on Friday, April 29, 2005.

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, you can contact us in three ways:
Online: In the Investor Relations section of www.cincinnatibell.com, you can sign up for email 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: Cincinnati Bell Inc., Investor Relations, 201 East 4th Street, Cincinnati, Ohio 45202.

Investor Relations contact
Michael Vanderwoude
Vice President, Investor Relations and Corporate Communications
(513) 397-7685

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
7550 Lucerne Drive, Suite 103
Cleveland, Ohio 44130
Phone: (888) 294-8217
Fax: (312) 601-4332.
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.

Stock purchase plan
Registered shareholders may make additional investments in Cincinnati Bell common shares without paying commissions or service charges. For more information, including a plan prospectus and application, contact Computershare at (888) 294-8217.

Cincinnati Bell[SM]

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