

CINCINNATI BELL INC

Form DEF 14A

March 16, 2012

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES

EXCHANGE ACT OF 1934

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material Pursuant to Section 240.14a-11c or Section 240.14a-12

Cincinnati Bell Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

☐ Fee paid previously with preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 1, 2012

To Our Shareholders:

The 2012 Annual Meeting of Shareholders of Cincinnati Bell Inc. (the “Company”) will be held on Tuesday, May 1, 2012, at 11:00 a.m., Central Time, at the Marriott at Legacy Town Center, 7120 Dallas Parkway, Plano, Texas, for the following purposes:

- 1 To elect ten directors to serve a one-year term ending in 2013;
- 2 To seek shareholder approval by a non-binding vote of the Company's executive compensation as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act;
- 3 To seek shareholder reapproval of the material terms of the performance goals of the Cincinnati Bell Inc. 2007 Long Term Incentive Plan;
- 4 To seek shareholder approval of an amendment to the Cincinnati Bell Inc. 2007 Stock Option Plan for Non-Employee Directors;
- 5 To ratify the appointment of the Company's independent accountants to audit the financial statements of the Company for the year 2012; and
- 6 To consider any other matters that may properly come before the meeting or any adjournments or postponements of the meeting.

The Board of Directors has established the close of business on March 2, 2012 as the record date (the “Record Date”) for determining the shareholders entitled to notice of, and to vote at, the Annual Meeting or any adjournment or postponement of the Annual Meeting. Only shareholders of record at the close of business on the Record Date are entitled to vote on matters to be presented at the Annual Meeting.

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

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

By Order of the Board of Directors

Christopher J. Wilson
Vice President, General Counsel and Secretary
March 16, 2012

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
SHAREHOLDER MEETING TO BE HELD ON MAY 1, 2012: The Proxy Statement and Annual Report are
available at www.proxyvote.com

INFORMATION FOR SHAREHOLDERS THAT PLAN TO ATTEND THE
2012 ANNUAL MEETING OF SHAREHOLDERS

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

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

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CINCINNATI BELL INC.

221 East Fourth Street

Cincinnati, Ohio 45202

PROXY STATEMENT

For the Annual Meeting of Shareholders

to be held on Tuesday, May 1, 2012

This Proxy Statement is furnished to the shareholders of Cincinnati Bell Inc., an Ohio corporation (the "Company"), in connection with the solicitation of proxies by the Board of Directors for use at the 2012 Annual Meeting of Shareholders. The Annual Meeting will be held on Tuesday, May 1, 2012, at 11:00 a.m., Central Time, at the Marriott at Legacy Town Center, Plano, Texas 75024. The Notice of Annual Meeting of Shareholders, the Proxy Statement, the Company's Annual Report on Form 10-K for the year ended December 31, 2011, and the Company's Summary 2011 Annual Report are being furnished to the shareholders beginning on or about March 22, 2012.

The Company's Board of Directors has established the close of business on March 2, 2012 as the record date (the "Record Date") for determining shareholders entitled to notice of, and to vote at, the Annual Meeting or any adjournment or postponement of the Annual Meeting. Only shareholders of record at the close of business on the Record Date will be entitled to vote on matters to be presented at the Annual Meeting.

The agenda for the Annual Meeting is as follows:

- 1 To elect ten directors to serve a one-year term ending in 2013;
- 2 To seek shareholder approval of a non-binding vote of the Company's executive compensation ("Say-on-Pay") as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act");
- 3 To seek shareholder reapproval of the material terms of the performance goals of the Cincinnati Bell Inc. 2007 Long Term Incentive Plan (the "2007 Long Term Incentive Plan");
- 4 To seek shareholder approval of an amendment to the Cincinnati Bell Inc. 2007 Stock Option Plan for Non-Employee Directors (the "2007 Directors Plan");
- 5 To ratify the appointment of the Company's independent accountants to audit the financial statements of the Company for the year 2012; and
- 6 To consider any other matters that may properly come before the meeting or any adjournments or postponements of the meeting.

PLEASE VOTE - YOUR VOTE IS IMPORTANT

Cincinnati Bell Inc. is a full-service regional provider of data and voice communications services over wireline and wireless networks, a full-service international provider of data center colocation operations, a provider of managed services, and a reseller of information technology ("IT") and telephony equipment. The Company provides telecommunications service to businesses and consumers in the Greater Cincinnati and Dayton, Ohio, areas primarily on its owned wireline and wireless networks with a well-regarded brand name and reputation for service. The Company also provides business customers with outsourced data center colocation operations in world class, state-of-the-art data center facilities primarily located in the Midwest, Texas, England and Singapore. In connection with the data center colocation operations in the Midwest, the Company also provides business customers with a full range of managed IT solutions. The Company operates in four segments: Wireline, Wireless, Data Center Colocation, and IT Services and Hardware.

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

Q: Why am I receiving these proxy materials?

A: The Company's Board of Directors (the "Board") is providing these proxy materials to you in connection with the Annual Meeting of Shareholders, which will take place on May 1, 2012. As a shareholder, you are invited to attend the meeting and are entitled to vote on the proposals described in this Proxy Statement.

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

A: The Company's combined Proxy Statement, Summary 2011 Annual Report and Annual Report on Form 10-K for the year ended December 31, 2011, which includes our 2011 consolidated financial statements, contains information relating to the proposals to be voted on at the meeting, the voting process, the compensation of directors and certain officers and certain other information required by the rules and regulations of the Securities and Exchange Commission (the "SEC") and the rules and listing standards of the New York Stock Exchange (the "NYSE"). Although you are encouraged to vote either by the internet or by telephone, these materials, if received in printed form, also include a proxy card or voting instruction card for your use in voting by mail or at the Annual Meeting.

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

- 1 The election of ten directors to serve a one-year term ending in 2013;
- 2 The approval by non-binding vote of the Company's executive compensation ("Say-On-Pay");
- 3 The reapproval of the material terms of the performance goals of the Cincinnati Bell Inc. 2007 Long Term Incentive Plan (the "2007 Long Term Incentive Plan");
- 4 The approval of an amendment to the Cincinnati Bell Inc. 2007 Stock Option Plan for Non-Employee Directors (the "2007 Directors Plan"); and
- 5 The ratification of the appointment of Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, "Deloitte & Touche LLP") as the independent registered public accounting firm ("Independent Registered Public Accounting Firm") to audit the financial statements of the Company for the year 2012.

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" approval by non-binding vote of the Company's executive compensation and the Say-On-Pay proposal;

•"FOR" reapproval of the material terms of the performance goals of the 2007 Long Term Incentive Plan;

•"FOR" approval of an amendment to the 2007 Directors Plan; and

•"FOR" the ratification of the appointment of Deloitte & Touche LLP as the Independent Registered Public Accounting Firm to audit the financial statements of the Company for the year 2012.

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

A: Pursuant to the rules of the SEC, the Company has elected to provide access to our proxy materials over the internet. Accordingly, we sent a Notice of Internet Availability of Proxy Materials (the "Notice") to our shareholders of record and beneficial owners, which instructs them as to how they may submit their proxy on the internet. If you would like to receive a

paper copy of our proxy materials, you should follow the instructions for requesting such materials in the Notice. In addition, you may request to receive proxy materials in printed form by mail or by email on an ongoing basis.

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

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

Q: What shares can I vote?

A: You may vote all Company common shares and 6 ³/₄% Cumulative Convertible Preferred Shares that you own (or for which you have been given the right to provide instructions as to how such shares should be voted) as of the close of business on the Record Date. This includes: (i) shares held directly in your name as the shareholder of record, including common shares purchased through the Cincinnati Bell Employee Stock Purchase Plan; (ii) shares that are held by a trust used in connection with a Company employee or director plan pursuant to which the value of such shares has been credited to your account under such plan; and (iii) shares held for you as the beneficial owner through a broker or other nominee.

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

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

Shareholder of Record

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

Beneficial Owner

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

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

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

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

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

By Internet - If you have internet access, you may submit your vote from any location by following the instructions provided in the Notice or the proxy card.

By Telephone - If you live in the United States or Canada, you may submit your vote by following the "Vote by Phone" instructions provided in the Notice or the proxy card.

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

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

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

Shareholder of Record

If you are a shareholder of record and (i) you indicate when voting on the internet or by telephone that you wish to vote as recommended by the Board, or (ii) you sign and return a proxy without giving specific voting instructions, then the proxy holders will vote your shares in the manner recommended by our Board on each of the matters presented in this proxy statement for which you did not provide specific voting instructions, and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the Annual Meeting.

Beneficial Owner

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

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

A: Proposal 1 (election of directors), Proposal 2 (advisory Say-On-Pay vote on executive compensation), Proposal 3 (reapproval of the material terms of the performance goals of the 2007 Long Term Incentive Plan), and Proposal 4 (approval of an amendment to the 2007 Directors Plan) are considered non-routine matters, and your broker or nominee cannot vote your shares without your specific voting instructions. Proposal 5 (ratification of the Independent Registered Public Accounting Firm) is considered a routine matter, which generally allows your broker or nominee to vote your shares on this matter even if you did not provide specific voting instructions.

Q: How are abstentions treated?

A: Abstentions are counted for the purpose of determining whether a quorum is present. For the purpose of determining whether shareholders have approved Proposal 1 (election of directors), abstentions are not treated as votes cast affirmatively or negatively, and therefore have no effect on the outcome of such proposal. For the purpose of determining whether shareholders have approved Proposal 2 (advisory Say-On-Pay vote on executive compensation), Proposal 3 (reapproval of the material terms of the performance goals of the 2007 Long Term Incentive Plan), Proposal 4 (approval of an amendment to the 2007 Directors Plan), and Proposal 5 (ratification of the Independent Registered Public Accounting Firm), abstentions will have a negative effect on the outcome of such proposals.

Q: Can I change my vote?

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

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

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

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

A: We will announce preliminary voting results at the meeting and publish final results in the Company's Current Report on Form 8-K, which will be filed on or before May 7, 2012.

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

A: Other than the proposals described in this Proxy Statement, we do not expect any matters to be presented for a vote at the Annual Meeting. If you grant a proxy, the persons named as proxy holders, Phillip R. Cox, Lynn A. Wentworth and John M.

Zrno, will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting. If for any unforeseen reason any of the nominees are not available as a candidate for director, the persons named as proxy holders will vote your proxy for such other candidate or candidates as may be nominated by the Board.

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

A: Each common share and each 6 ³/₄% Cumulative Convertible Preferred Share outstanding as of the close of business on the Record Date is entitled to vote on all items being voted upon at the Annual Meeting. You are entitled to one vote for each common share and one vote for each 6 ³/₄% Cumulative Convertible Preferred Share you own of record on the Record Date or to provide instructions on how to vote such shares in which you have a beneficial interest. The 6 ³/₄% Cumulative Convertible Preferred Shares will vote with the common shares as one class on each of the proposals described in this Proxy Statement. There are no cumulative voting rights for either class of shares. On the Record Date, we had 196,996,468 common shares and 155,250 6 ³/₄% Cumulative Convertible Preferred Shares issued and outstanding.

Q: What is the quorum requirement for the meeting?

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

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

Q: Who will count the votes?

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

Q: Is my vote confidential?

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

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

A: The Company is making this solicitation and will pay the entire cost of preparing, assembling, printing, mailing and distributing the proxy materials. If you choose to access the proxy materials and/or vote via the internet, you are responsible for any internet access charges you may incur. In addition to the costs of mailing the proxy materials, the Company may also incur costs to provide additional copies of these proxy materials (if requested) and for its directors, officers and employees to solicit proxies or votes in person, by telephone or by electronic communication. Our directors, officers and employees will not receive any additional compensation for such activities. We have hired Georgeson Inc. to solicit proxies for \$10,500 plus expenses. We have also hired Broadridge for a fee of approximately \$10,000 plus expenses to assist us in facilitating the voting of proxies over the internet and serving as the Inspector of Elections. We will also reimburse brokerage houses and other nominees for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to shareholders.

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

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

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

A: As of the Record Date or an earlier date, if indicated, each of the following entities (together with their affiliates) indicated that it held more than 5% of the issued and outstanding common shares of the Company: Blackrock, Inc., GAMCO Investors, Inc. and affiliates, Pinnacle Associates, LTD, The Vanguard Group, Inc., and Wells Fargo and Company. See page 28 for more details on the number of shares owned and percentage ownership as of the Record Date or an earlier date, if indicated.

Q: What is householding?

A: Householding is a process that allows the Company to reduce costs and increase efficiencies by mailing only one copy of Company communications to multiple shareholders who reside at the same household mailing address. If you and other shareholders at the same household mailing address are currently receiving only one copy of Company communications but would like to receive separate copies or are currently receiving multiple copies of Company communications but would like to participate in our householding program, please see the instructions on page 59.

BOARD STRUCTURE AND CORPORATE GOVERNANCE

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

General Information and Corporate Governance

The Company's Amended Regulations provide that the Board shall consist of not less than nine nor more than 17 persons, with the exact number to be fixed and determined by resolution of the Board or by resolution of the shareholders at any annual or special meeting of shareholders. At this time, the Board has determined that the Board shall consist of 10 members.

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

Our Board currently has the following four committees: (i) the Audit and Finance Committee, (ii) the Compensation Committee, (iii) the Governance and Nominating Committee, and (iv) the Executive Committee. The members and function of each committee are described below. During fiscal year 2011, the Board held eleven meetings, and no director attended less than 75% of all Board and applicable committee meetings during the period in which he or she served as a director.

Under the Company's Corporate Governance Guidelines, directors are expected to attend the Annual Meeting of Shareholders. All of the directors, who were on the Board at the time, attended the 2011 Annual Meeting of Shareholders.

For information on how to obtain a copy of the Company's Corporate Governance Guidelines, please see page 59.

Evaluation of Director Independence

In accordance with the rules and listing standards of the NYSE and the Company's Corporate Governance Guidelines, the Board affirmatively evaluates and determines the independence of each director and each nominee for election. Based on an analysis of information supplied by the directors, the Board evaluates whether any director has any material relationship with the Company, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company that might cause a conflict of interest in the performance of a director's duties. Based on these standards, the Board determined that each of the following persons who served as a non-employee director in 2011 is (or was) independent and has (or had) no relationship with the Company, except as a director and shareholder:

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

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

** Mr. Schriber was appointed to the Board effective May 3, 2011.

In addition, based on these standards, the Board determined that John F. Cassidy is not independent because he is the President and Chief Executive Officer of the Company, and Gary J. Wojtaszek is not independent because he is the President of CyrusOne Inc., a subsidiary of the Company, and previously served as Chief Financial Officer of the Company.

Executive Sessions of Non-Management Directors

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

Committees of the Board

The following table sets forth the membership of the committees of the Board for 2011:

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

(a) All Non-Employee Directors were determined by the Board to be independent directors.

(b) Mr. Lazarus resigned from the Board effective January 29, 2011.

(c) Mr. Schriber was appointed to the Board effective May 3, 2011.

(d) Mr. Wojtaszek was appointed to the Board effective July 29, 2011.

Audit and Finance Committee: The Audit and Finance Committee currently consists of five persons, none of whom is an executive officer of the Company. The Audit and Finance Committee held five meetings during 2011. The purpose of the Audit and Finance Committee is, among other things, to assist the Board in its oversight of (i) the integrity of the financial statements of the Company, (ii) the Company's compliance with legal and regulatory requirements, (iii) the independence and qualifications of the Independent Registered Public Accounting Firm, (iv) the Company's risk assessment and risk management policies, and (v) the performance of the Company's internal audit function and Independent Registered Public Accounting Firm. To this end, the Audit and Finance Committee meets in executive session with its own members and may also meet separately with the Independent Registered Public Accounting Firm, the Company's internal auditors, General Counsel or members of management. The Audit and Finance Committee Charter provides a more detailed description of the responsibilities and duties of the Audit and Finance Committee. For information on how to obtain a copy of the Audit and Finance Committee Charter, please see page 59.

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

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

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

Compensation Committee: The Compensation Committee currently consists of five persons, none of whom is an executive officer. The Compensation Committee held four meetings during 2011. The Compensation Committee is responsible for, among other things, ensuring that directors and certain key executives are effectively and competitively compensated in terms of base compensation and short- and long-term incentive compensation and benefits. In addition, the Compensation Committee evaluates the performance of the Chief Executive Officer and reviews with management the succession planning process for key executive positions. The Compensation Committee Charter provides a more detailed description of the responsibilities and duties of the Compensation Committee. For information on how to obtain a copy of the Compensation Committee Charter, please see page 59.

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

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

Governance and Nominating Committee: In 2011, the Governance and Nominating Committee consisted of five persons, none of whom is an executive officer, until the resignation of Mr. Lazarus, who served on the Governance and Nominating Committee, and then it consisted of four persons. When Mr. Schriber joined the Board, the Governance and Nominating Committee increased back to five persons. The Governance and Nominating Committee held four meetings during 2011. The Governance and Nominating Committee, among other things, identifies individuals to become members of the Board, periodically reviews the size and composition of the Board, evaluates the performance of Board members, makes recommendations regarding the determination of a director's independence, recommends committee appointments and chairpersons to the Board, periodically reviews and recommends to the Board updates to the Company's Corporate Governance Guidelines and related Company policies and oversees an annual evaluation of the Board and its committees. The Governance and Nominating Committee Charter provides a more detailed description of the responsibilities and duties of the Governance and Nominating Committee. For information on how to obtain a copy of the Governance and Nominating Committee Charter, please see page 59.

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

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

Executive Committee: The Executive Committee consists of five persons, one of whom is the President and Chief Executive Officer of the Company. The Committee held two meetings during 2011. The Executive Committee acts on behalf of the Board in certain matters, when necessary, between Board meetings.

Director Nominations

The Governance and Nominating Committee will consider director candidates recommended by shareholders. The Governance and Nominating Committee did not receive, and therefore did not consider, any recommendations for director candidates by any shareholder for the 2012 Annual Meeting.

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

All nominees to the Board should possess the following attributes:

- Established leadership reputation in his/her field;
- Known for good business judgment;
- Active in business;
- Knowledge of business on a national/global basis;

- Meets high ethical standards; and
- Commitment to regular board/committee meeting attendance.

In addition, the Board will consider the following factors:

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

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

DIRECTOR COMPENSATION

Director Compensation Arrangements

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

Compensation for Employee Directors

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

General Compensation Policy for Non-Employee Directors

Directors who are not employees of the Company or any subsidiary of the Company ("non-employee directors") receive compensation from the Company for their service on the Board. The table below sets forth the annual compensation for non-employee directors in 2011.

| Compensation Element | 2011 |
|--|-----------|
| Chairman of the Board Annual Retainer (a) | \$180,000 |
| Annual Board Retainer | \$70,000 |
| Annual Audit and Finance Committee Chairman Retainer | \$27,000 |
| Annual Audit and Finance Committee Member Retainer | \$15,000 |
| Annual Compensation Committee Chairman Retainer | \$18,000 |
| Annual Compensation Committee Member Retainer | \$10,000 |
| Annual Governance and Nominating Committee Chairman Retainer | \$16,000 |
| Annual Governance and Nominating Committee Member Retainer | \$10,000 |

Beginning in 2012, the Annual Chairman of the Board Retainer was increased to \$320,000. However, beginning in (a)2012, the Chairman is no longer entitled to receive any of the other annual Board or Committee retainers described above.

Non-Employee Directors Deferred Compensation Plan

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

Subject to future changes in the Directors Deferred Compensation Plan, the Board may, in its discretion, also credit to the plan account of any non-employee director of the Company an amount equal to the value of a number of Company common shares determined by the Board. The Board will exercise its discretion in crediting amounts to the plan accounts of the non-employee directors with the intent that such credits, together with other compensation that either is paid in the form of Company common shares or has its value determined in relation to the value of common shares

(such grants and such other compensation referred to as “Company equity-based compensation”), is approximately equal to the median level of the value of equity-based compensation provided by comparable companies to their non-employee directors. In exercise of such discretion,

(i) in 2011 each non-employee director of the Company on the first business day of the year had his or her account under the Directors Deferred Compensation Plan credited with an amount equal to the value of 6,000 common shares, but (ii) the Board decided not to make a similar credit to the non-employee directors' plan accounts for 2012. Any credit made by the Board in its discretion to a non-employee director's account under the plan is also adjusted by the investment returns that would result if such amounts were invested exclusively in common shares of the Company. A non-employee director will generally be vested in the amounts credited to his or her account under the plan only if he or she completes at least five years of active service as a non-employee director of the Company (with a fraction of a year of service as a non-employee director being rounded up or down to the nearest whole year) or if he or she dies while a member of the Board.

A non-employee director of the Company may also have had additional amounts credited to his or her account under the Directors Deferred Compensation Plan based on his or her deferral of director fees and annual retainers for earlier years or on other extra amounts that were credited by the Company to his or her account under the plan in prior years. The portion of a non-employee director's account under the plan that is attributable to such earlier credited amounts is also adjusted by the investment returns that would result if such amounts were invested in investment options that he or she chooses, in common shares or in other investments, depending on the particular credits that are involved. Other than for certain circumstances described below and subject to future changes in the Directors Deferred Compensation Plan, a non-employee director of the Company can, if he or she complies with specific election rules and procedures set forth in or adopted under the plan and with the requirements of applicable law (including the American Jobs Creation Act of 2004, which generally applies to any compensation of a non-employee director that was or is credited to his or her account under the plan in 2005 or any later year), elect that the vested amounts credited to his or her account under the Directors Deferred Compensation Plan will not be received by him or her (and thereby generally will not be subject to federal income tax) until after he or she has ceased to be a member of the Board or until a specific year he or she chooses, that is not earlier than the year in which the sixth anniversary of his or her deferral election occurs. When the vested amounts are to be paid, he or she generally may elect to have the amounts distributed in a lump sum or in up to ten annual installments.

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

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

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

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

The Directors Deferred Compensation Plan must comply with the requirements of the American Jobs Creation Act of 2004 in order to retain its ability to defer federal income tax on certain amounts credited to a non-employee director's account under the plan. The Company has amended the plan to meet the requirements of the American Jobs Creation

Act of 2004.

Non-Employee Directors Plan

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

As described in more detail on page 22, the shareholders of the Company are being asked to approve an amendment to the 2007 Directors Plan. The amendment, if approved, would permit all of the shares available for issuance under the 2007

Directors Plan to be issued in the form of restricted stock awards. Currently, only a portion of the shares available for issuance under the 2007 Directors Plan may be issued in the form of restricted stock awards. The current terms of the 2007 Directors Plan permit all of the shares available for issuance under the plan to be issued in the form of stock option awards.

For 2010 and earlier, the Board decided to annually grant time-based restricted shares with an aggregate value of \$35,000 on the date of grant to each incumbent non-employee director. In 2011, because of the restricted share limits set forth in the 2007 Directors Plan, the Board granted time-based restricted shares with an aggregate value of \$28,438 on the date of grant to each incumbent non-employee director. Beginning in 2012, assuming that the shareholders approve the amendment to the 2007 Directors Plan described on page 22, the Board has decided to annually grant time-based restricted shares with an aggregate value of \$70,000 on the date of grant to each incumbent non-employee director. These restricted shares will vest on the third anniversary of the grant date. The Board increased the annual grant value to offset the elimination of the annual phantom share grant in 2012. If the shareholders do not approve the amendment to the 2007 Directors Plan described on page 22, no further restricted stock awards will be granted under the 2007 Directors Plan.

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

Each stock option granted to a non-employee director under the 2007 Directors Plan, or a predecessor plan, requires that upon the exercise of the option, the price to be paid for the common shares that are being purchased under the option will be equal to 100% of the fair market value of such shares as determined at the time the option is granted.

With certain exceptions provided in the 2007 Directors Plan, a non-employee director of the Company who is granted an option under the plan generally will have ten years from the date of the grant to exercise the option.

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

Director Compensation in 2011 Fiscal Year

The following table shows the compensation paid to our non-employee directors for the 2011 fiscal year:

Director Compensation for Fiscal 2011

| Name | Fees Earned or Paid in Cash (\$) (a) | Stock Awards (\$) (b) (c) | Option Awards (\$) (c) | Total (\$) |
|-------------------------|--|---------------------------------|------------------------------|------------|
| Bruce L. Byrnes | 102,560 | 45,658 | — | 148,218 |
| Phillip R. Cox | 291,560 | 45,658 | — | 337,218 |
| Jakki L. Haussler | 101,560 | 45,658 | — | 147,218 |
| Mark Lazarus (resigned) | 20,000 | — | — | 20,000 |
| Craig F. Maier | 101,560 | 45,658 | — | 147,218 |
| Alan R. Schriber | 46,560 | 28,438 | — | 74,998 |
| Alex Shumate | 96,560 | 45,658 | — | 142,218 |
| Lynn A. Wentworth | 103,560 | 45,658 | — | 149,218 |
| John M. Zrno | 109,560 | 45,658 | — | 155,218 |

(a) No Board member elected to defer fees or annual retainers in fiscal 2011.

(b) The values reflect the aggregate grant-date fair value of the 9,840 time-based restricted share awards granted on May 3, 2011 computed in accordance with Accounting Standards Codification Topic 718, "Compensation - Stock Compensation" ("ASC 718") for all awards. On May 3, 2011, 12,110 time-based restricted share awards were granted to each non-employee director, but such amount was reduced to 9,840 when the Board rescinded 2,270 shares of such time-based restricted share awards in order to comply with limitations set forth in the 2007 Directors Plan.

The values also include the amounts credited to the Directors Deferred Compensation Plan which was equal to the value of 6,000 common shares with a value of \$2.87 per share on January 3, 2011. For a discussion of the valuation assumptions and methodology, see Note 14 to the Company's Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 31, 2011.

- (c) As of December 31, 2011, the non-employee directors held an aggregate of 294,301 unvested stock awards and an aggregate of 276,300 option awards (granted in years prior to 2008), as set forth below:

| Name | Number of Unvested Stock Awards Outstanding as of December 31, 2011 | Number of Option Awards Outstanding as of December 31, 2011 |
|-------------------|--|--|
| Bruce L. Byrnes | 32,923 | 61,000 |
| Phillip R. Cox | 32,923 | 59,300 |
| Jakki L. Haussler | 50,923 | — |
| Mark Lazarus | — | — |
| Craig F. Maier | 50,923 | — |
| Alan R. Schriber | 9,840 | — |
| Alex Shumate | 32,923 | 43,000 |
| Lynn A. Wentworth | 50,923 | — |
| John M. Zrno | 32,923 | 113,000 |

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2011, the members of the Compensation Committee included Messrs. Byrnes, Cox, Maier, Shumate and Zrno. None of the Compensation Committee members have at any time been an officer or employee of the Company. None of the Company's executive officers serve, or in the past fiscal year served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on the Company's Board or Compensation Committee.

CODE OF BUSINESS CONDUCT AND CODES OF ETHICS

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

For information on how to obtain a copy of the Company's Code of Business Conduct, Code of Ethics for Senior Financial Officers or Code of Ethics for Directors, please see page 59.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

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

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

The Company's Code of Ethics for Senior Financial Officers, the Company's Code of Ethics for Directors and the Company's Code of Business Conduct require directors, officers and all other members of the workforce to avoid any relationship, influence or activity that would cause or even appear to cause a conflict of interest. The Company's Code of Business Conduct, Code of Ethics for Senior Financial Officers and Code of Ethics for Directors generally require (i) a director to promptly disclose to the Governance and Nominating Committee any potential or actual conflict of

interest involving him or her and (ii) an employee, including the executive officers, to promptly disclose a conflict of interest to the General Counsel. The Governance and Nominating Committee (and, if applicable, the General Counsel) determines an appropriate resolution to

actual or potential conflicts of interest on a case-by-case basis. All directors must recuse themselves from any discussion or decision affecting their personal, business or professional interests.

All related party transactions shall be disclosed in the Company's applicable filings with the Securities and Exchange Commission as required under SEC rules. In 2011, the related party transactions required to be disclosed are as follows:

Mr. Cassidy, a director and President and Chief Executive Officer of the Company, serves as a trustee for the Boomer Esiason Foundation (the "Foundation"), a non-profit corporation established to provide support to find a cure for cystic fibrosis. In 2011, the Company donated approximately \$200,000 of in-kind services to the Foundation. The Company believes that Mr. Cassidy received no personal benefit in connection with the Company providing these in-kind services and, therefore, he has no interest in this transaction.

Mr. Cassidy also serves as a director of the Cincinnati City Center Development Corporation ("3CDC"), a non-profit organization with a mission to strengthen the core assets of downtown Cincinnati. The Company maintains investments in the Cincinnati Equity Funds and Cincinnati New Market Funds, which are managed by 3CDC. In 2011, the Company invested approximately an additional \$680,000 to the 3CDC managed funds. The Company receives tax credits for the investment in Cincinnati New Market Funds. The Company believes the investment in both funds provide Mr. Cassidy no personal benefit and, therefore, he has no interest in the transactions.

ELECTION OF DIRECTORS

(Item 1 on Proxy Card)

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

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

The Board has nominated Bruce L. Byrnes, Phillip R. Cox, Jakki L. Haussler, Craig F. Maier, Alan R. Schriber, Alex Shumate, Lynn A. Wentworth, John M. Zrno, John F. Cassidy and Gary J. Wojtaszek, all of whom are incumbent directors, to serve until the 2013 Annual Meeting of Shareholders. The Board has determined each nominee other than Messrs. Cassidy and Wojtaszek are independent and has no relationship with the Company other than as a shareholder and director.

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

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

Majority Vote Requirements; Holdover Directors

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

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

Vote Required

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

Our Recommendation

The Board recommends election of each of the nominees.

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

NOMINEES FOR DIRECTORS

(Terms Expire in 2013)

Mr. Cox has been President and Chief Executive Officer of Cox Financial Corporation (a financial planning services company) since 1972. He is a current director of The Timken Company, Diebold Inc., and Touchstone Mutual Funds. He is a former director of the Federal Reserve Bank of Cleveland, Duke Energy Corporation, and Long Stanton Manufacturing Company. Director since 1993. Age 64.

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

Phillip R. Cox

Mr. Byrnes is retired. He was Vice Chairman of the Board - Global Brand Building Training of The Procter & Gamble Company (a consumer products company) from July 2007 through June 2008. Prior to that, he was Vice Chairman of the Board and President - Global Household Care of The Procter & Gamble Company. From 2002 through 2004, he served The Procter & Gamble Company as Vice Chairman of the Board and President - Global Beauty & Feminine Care and Global Health Care. He is a director of Boston Scientific Corp., Diebold Inc., and Brown-Forman Corporation. Director since 2003. Age 63.

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

Bruce L. Byrnes

Ms. Haussler has served as Chairman and Chief Executive Officer of Opus Capital Group (a registered investment advisory firm) since 1996. She is a current director of Capvest Venture Fund, LP. She is also a partner of Adena Ventures, LP (a venture capital fund). She is a former director of The Victory Funds. Director since 2008. Age 54.

With more than 30 years of experience in the financial services industry, including her years of entrepreneurial and managerial experience in the development and growth of Opus Capital Group, Ms. Haussler brings a valuable perspective to the Company's

Board of Directors. Through her role at Opus Capital and her service as a director of several venture capital funds and other boards, Ms. Haussler has gained valuable experience dealing with accounting principles and evaluating financial results of large corporations. She is a certified public accountant (inactive), a licensed attorney in the State of Ohio, and an audit committee financial expert under SEC regulations. This experience, coupled with her educational background, makes her a valuable asset to the Board of Directors, the Audit and Finance Committee and the Governance and Nominating Committee.

Jakki L. Haussler

Mr. Maier has been President and Chief Executive Officer of Frisch's Restaurants, Inc. (operator of family style restaurants) since 1989. He is a director of Frisch's Restaurants, Inc. Director since 2008. Age 62.

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

Craig F. Maier

Mr. Schriber is a consultant. He was Chairman of the Public Utilities Commission of Ohio from 1999 to 2010. He also served as Chairman of the Ohio Power Siting Board from 1999 to 2010. Prior to his public service, Mr. Schriber was President of ARS Broadcasting Corp., an owner and operator of radio stations in Indiana, from 1989 to 1997. He also was Assistant Professor of Economics at Miami University in Oxford, Ohio from 1977 to 1983, where he taught government regulation of business, micro- and macro-economic theory, money and banking. He is a current director of American Transmission Company. Director since 2011. Age 66.

Mr. Schriber's knowledge and experience in the regulation of telecommunications and power generating utilities, as well as his management experience as President of ARS Broadcasting Corp., and his academic training in economics make him a very valuable asset to the Company's Board of Directors. This knowledge and experience is particularly useful to the Board, Governance and Nominating Committee, and Company management as they evaluate growth opportunities in the data center segment, which depend in large part upon the availability of reliable and economically efficient sources of electric power.

Alan R. Schriber, Ph.D

Mr. Shumate is currently the Managing Partner, North America, of Squire, Sanders & Dempsey (US) LLP (an international law firm) since 2009. Prior to that, he served as the Managing Partner of the Columbus office of Squire Sanders since 1991. He is a current director of The J.M. Smucker Company. He also served as a director of the Wm. Wrigley Jr. Company from 1998 until its acquisition in 2008, as well as Nationwide Financial Services from 2002 until its acquisition in 2009. Director since 2005. Age 61.

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

Alex Shumate

Ms. Wentworth is retired. She was Senior Vice President, Chief Financial Officer and Treasurer of BlueLinx Holdings Inc. (a building products distributor) from 2007 to 2008. Prior to joining BlueLinx, she was, most recently, Vice President and Chief Financial Officer for BellSouth Corporation's Communications Group and held various other positions at BellSouth from 1985 to 2007. She is a certified public accountant and a member of the Georgia Society of Certified Public Accountants. She is a director of Graphic Packaging Holding Company. Director since 2008. Age 53.

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

Lynn A. Wentworth

Mr. Zrno is retired. He was President and Chief Executive Officer of IXC Communications, Inc. (a telecommunications company) from June 1999 through November 1999. He served as President and Chief Executive Officer of ALC Communications Corporation from 1988 through 1995. Director since 1999. Age 73.

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

John M. Zrno

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. Mr. Cassidy has held various other positions within the Company including President and Chief Operating Officer of Cincinnati Bell Telephone Company and President of Cincinnati Bell Wireless Company. Director since 2002. Age 57.

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

John F. Cassidy

Mr. Wojtaszek was appointed to the Company's Board of Directors on July 29, 2011, and was named President of CyrusOne Inc. effective August 5, 2011. Prior to that, he was the Company's Chief Financial Officer since July 2008. Before joining the Company, Mr. Wojtaszek served as the Senior Vice President, Treasurer and Chief Accounting Officer for the Laureate Education Corporation in Baltimore, Maryland from 2006 to 2008. Director since 2011. Age 45.

While currently serving as the President of CyrusOne Inc., and having previously served as the Company's Chief Financial Officer, Mr. Wojtaszek brings to the Board of Directors critical knowledge and understanding of the data center colocation business coupled with an in-depth understanding of the Company's capital structure.

Gary J. Wojtaszek

ADVISORY VOTE ON EXECUTIVE COMPENSATION
(Item 2 on Proxy Card)

In deciding how to vote on this proposal, our Board and the Compensation Committee urge you to specifically consider the actions taken and major changes related to our executive compensation practices that were instituted in response to last year's advisory vote, which are more fully described in the Compensation Discussion and Analysis ("CD&A") beginning on page 30.

At our 2011 Annual Meeting of Shareholders, as required by the Dodd-Frank Act, the Company submitted a non-binding advisory vote to our shareholders to approve our executive compensation ("say-on-pay vote") and a non-binding advisory vote to determine the frequency of the Company's submission of a say-on-pay vote to its shareholders. The Board of Directors determined that it would submit a say-on-pay vote to our shareholders annually. This year's say-on-pay vote addresses our executive compensation as disclosed in the CD&A beginning on page 30 and the Executive Compensation section beginning on page 47.

The guiding principles of the Company's compensation policies and decisions include aligning each executive's compensation with the Company's business strategy and providing incentives needed to attract, motivate and retain key executives who are important to our long-term success. Consistent with this philosophy, a significant portion of the total compensation for each of our executives is directly related to the Company's revenues, earnings and other performance factors that measure our

progress against the goals of our strategic plan as well as performance against our peer companies. The Compensation Committee and the Board believe that our compensation design and practices are effective in implementing our strategic goals. For the above reasons, we ask our shareholders to vote “FOR” the following resolution:

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

The say-on-pay vote is advisory and, therefore, not binding on the Company, the Compensation Committee or the Board of Directors. However, our Board and our Compensation Committee value the opinions of our shareholders and to the extent there is any significant vote against the named executive officers compensation as disclosed in this Proxy Statement, we will seek to determine the causes of any significant negative voting results in an effort to better understand shareholder issues and concerns with our executive compensation.

Vote Required

Approval of this proposal requires the affirmative vote of the holders of a majority of the common shares and 6³/₄% Cumulative Convertible Preferred Shares, voting as one class, present in person or represented by proxy at the annual meeting and entitled to vote on this proposal. Under the rules of the NYSE, brokers are prohibited from giving proxies to vote on executive compensation matters unless the beneficial owner of such shares has given voting instructions on the matter. This means that, if your broker is the recordholder of your shares, you must give voting instructions to your broker with respect to this Item 2 if you want your broker to vote your shares on this matter. Proxies submitted without direction pursuant to this solicitation will be voted for the approval of the compensation of our named executive officers, as disclosed in this Proxy Statement. Abstentions will have the same effect as a vote against this proposal. Broker non-votes are not considered shares entitled to vote on this proposal and will have no impact on the outcome of this proposal.

Our Recommendation

The Board recommends that shareholders vote “FOR” the approval, on an advisory basis, of the compensation of its named executive officers as disclosed in the CD&A and Executive Compensation sections of this Proxy Statement. PROPOSAL TO REAPPROVE THE MATERIAL TERMS OF THE PERFORMANCE GOALS UNDER CINCINNATI BELL INC. 2007 LONG TERM INCENTIVE PLAN

(Item 3 on Proxy Card)

The Board is requesting shareholder reapproval of the material terms of the performance goals that may be used in setting conditions for the payment of certain awards made under the Cincinnati Bell Inc. 2007 Long Term Incentive Plan (the “2007 Long Term Incentive Plan”). The Company's shareholders previously approved the 2007 Long Term Incentive Plan, including the material terms of the performance goals, at the 2007 annual meeting of the Company's shareholders. The reapproval is necessary so that certain awards to be granted under the plan may comply with Section 162(m) of the Internal Revenue Code (the “Code”). No changes are being made to the terms of the 2007 Long Term Incentive Plan in connection with the requested shareholder reapproval of the material terms of the plan's performance goals.

Section 162(m) of the Code generally provides that a publicly traded corporation may not deduct for federal income tax purposes, with respect to any tax year of the corporation, compensation paid to an employee who is a “covered employee” for such tax year to the extent such compensation exceeds one million dollars. For purposes of Section 162(m) of the Code, a “covered employee” of a publicly traded corporation generally means, with respect to any tax year of the corporation, (i) an employee who, as of the close of the tax year, is or is acting as the corporation's principal executive officer, and (ii) any other officer whose total compensation for that tax year is required to be reported to the corporation's shareholders under the Securities Exchange Act of 1934 by reason of the officer being among the three highest compensated officers for the tax year (other than the principal executive officer or the principal financial officer).

However, performance-based compensation that is payable to a covered employee for a tax year will be exempt from such tax deduction limits if the material terms of such performance goals (i.e., the employees eligible to receive such compensation, the business criteria on which such performance goals are based, and the maximum amount of such performance-based compensation that could be paid to any employee) are disclosed to and approved by the applicable corporation's shareholders, generally at least every five years. “Performance-based compensation” means compensation

paid in connection with certain pre-established objective performance goals based on business criteria being met.

In order to give the Company the ability to deduct, without regard to the deduction limits of Section 162(m) of the Code, the performance-based compensation payable under any awards that are granted under the plan to covered employees on or after the Company's 2012 annual shareholder meeting, the Company's shareholders must reapprove the material terms of such performance goals at the 2012 annual shareholder meeting, (which is five years from when the Company's shareholders last approved the material terms of such performance goals). However, even if the shareholders reapprove the material terms of the performance goals of the 2007 Long Term Incentive Plan, the Company cannot guarantee that an award that is intended to provide performance-based compensation to a covered employee will avoid being subject to the deduction limits of Section 162(m) of the Code. Nevertheless, the Company wants the opportunity to deduct for federal income tax purposes, without regard to the deduction limits of Section 162(m), performance-based compensation provided by the Company under the 2007 Long Term Incentive Plan to executives whose compensation is otherwise subject to such deduction limits.

As indicated above, the Company is asking for shareholder reapproval of the material terms of the performance goals under which performance-based compensation can be paid under the 2007 Long Term Incentive Plan.

Material Terms of Performance Goals

The following is a summary of the material terms of the performance goals under which compensation can be paid under the 2007 Long Term Incentive Plan. THE FULL TEXT OF THE 2007 LONG TERM INCENTIVE PLAN IS SET FORTH IN APPENDIX A OF THIS PROXY STATEMENT AND THE FOLLOWING DISCUSSION IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH TEXT.

1. Employees Eligible to Receive Awards

The persons who are eligible to be granted awards under the 2007 Long Term Incentive Plan are all persons who are employees of the Company and its subsidiaries, including the covered employees, and who are not represented by a recognized collective bargaining unit (unless a collective bargaining agreement calls for them to be eligible for plan awards). As of March 2, 2012, approximately 2,200 persons were eligible to participate in the 2007 Long Term Incentive Plan.

In general, a committee appointed by the administrator of the plan (the "Committee") selects the specific eligible employees to whom awards will be granted under the 2007 Long Term Incentive Plan, the types of awards that will be granted to each employee and the terms of any such award (subject to the terms of the plan). Unless changed by the Board, the Committee shall be the Compensation Committee of the Board.

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

2. Types of Awards

The Committee may grant awards under the 2007 Long Term Incentive Plan at any time. The grants may consist of one or a combination of the following forms of awards: (i) stock options, (ii) stock appreciation rights ("SARs"), (iii) restricted stock, (iv) performance shares, (v) share-based performance units, (vi) nonshare-based performance units, and (vii) non-restricted stock. No award may be granted under the plan after May 2, 2017.

(a) **Stock Options.** A stock option represents an option to purchase, over a certain time period not to exceed ten years, a number of common shares at a fixed purchase price. The fixed purchase price of any stock option granted under the 2007 Long Term Incentive Plan will not be less than 100% of the fair market value of a common share on the grant date of the option.

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

(b) **Stock Appreciation Rights.** A SAR represents the right, upon exercise of the SAR, to receive payment of a sum not to exceed the amount, if any, by which the fair market value on the date of the exercise of the SAR of a number of

common shares on which the SAR is based exceeds a fixed grant price of the SAR. The 2007 Long Term Incentive Plan provides that the grant price of the common shares that are subject to a SAR may not be less than the fair market value of such common shares as determined on the SAR's grant date.

(c) Restricted Stock. Restricted stock constitutes common shares that may not be disposed of by the employee to whom they are awarded until certain restrictions lapse and that will ultimately be forfeited to the extent such restrictions are not satisfied. In general and subject to certain exceptions in the 2007 Long Term Incentive Plan, such restrictions will not lapse in

full unless the employee is employed by the Company and its subsidiaries for at least three years after the award's grant or unless the employee's employment with the Company and its subsidiaries ends in special circumstances, (such as his or her death, disability, or retirement).

The right to dispose of the restricted stock may also be made subject to the satisfaction of certain performance goals. The restrictions that apply to any restricted stock award may lapse as to a portion of the common shares subject to the award if the employee meets some but not all of the imposed restrictions.

Unless the Committee shall otherwise determine, the recipient of restricted stock has all rights of a shareholder of the Company with respect to the restricted common shares, including the right to vote and to receive cash dividends.

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

(e) Share-based Performance Unit. A share-based performance unit refers to an award which provides that the employee to whom the award is granted will receive a dollar amount that is equal to a percent, not more than 200%, of the fair market value of one Company common share on the date the amount becomes payable under the award (or is equal to a percent, not more than 200%, of the increase in the fair market value of a Company common share from the grant date of the award to the date the amount becomes payable) if certain conditions are met. In general, such conditions must at least require (i) that certain performance goals are met and (ii) that either the employee remains employed by the Company and its subsidiaries for at least one year after the award's grant or the employee's employment with the Company and its subsidiaries ends in special circumstances. A portion of the maximum amount payable under the award can be paid if some but not all of the conditions imposed under the award are met.

Any amount that becomes payable under a share-based performance unit can be paid in cash, in common shares or other property, or by a combination thereof, as the Committee may determine.

(f) Nonshare-based Performance Unit. A nonshare-based performance unit refers to an award which provides that the employee to whom the award is granted will receive an amount that is equal to a dollar value, not more than a maximum dollar value, if certain conditions are met. In general, such conditions must at least require (i) that certain performance goals are met and (ii) that either the employee remains employed by the Company and its subsidiaries for at least one year after the award's grant or the employee's employment with the Company and its subsidiaries ends in special circumstances. A portion of the maximum amount payable under the award can be paid if some but not all of the conditions imposed under the award are met.

Any amount that becomes payable under a nonshare-based performance unit can be paid in cash, in common shares or other property, or by a combination thereof, as the Committee may determine.

(g) Non-restricted Stock. Non-restricted stock granted constitutes an award to an employee of a fixed number of common shares that can be sold or disposed of immediately and without any restrictions. All grants of non-restricted stock shall be on terms and conditions determined by the Committee and evidenced by a written agreement.

If all applicable conditions are met (including the requirement of shareholder approval or reapproval), compensation is generally intended to be performance-based compensation that is not subject to the deduction limits of Section 162(m) of the Code if it is attributable to any (i) stock options, (ii) SARs, (iii) restricted stock, (iv) performance shares, (v) share-based performance units, and (vi) nonshare-based performance units granted under the 2007 Long Term Incentive Plan.

On the contrary, compensation attributable to any non-restricted stock award granted under the 2007 Long Term Incentive Plan will not qualify as performance-based compensation and hence is subject to the deduction limits of Section 162(m) of the Code.

In certain cases, an amount may be payable under an award that is granted under the 2007 Long Term Incentive Plan to an employee (and that is intended to be performance-based compensation) in the event a change in control of the Company or the employee's death or disability occurs, regardless of whether or not the performance goals applicable to the award are met. In such case, such amount, if payable to a covered employee, 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. Common Shares Reserved for Awards and Other Maximum Award Limits

Subject to adjustment in the case of certain changes in the capital structure of the Company, the following limits apply to the number of common shares that may be issued or paid under awards granted under the 2007 Long Term Incentive Plan during the plan's existence.

(a) The maximum number of common shares which may be issued or paid under or with respect to all of the awards (considered in the aggregate) is 18,000,000 common shares.

(b) The maximum number of common shares which may be issued or paid under or with respect to all stock options and SARs (considered in the aggregate but separately from all other forms of awards) is 18,000,000 common shares.

(c) The maximum number of common shares which may be issued or paid under or with respect to all ISOs (considered in the aggregate but separately from all other types of stock options and other forms of awards) is 2,000,000 common shares.

(d) The maximum number of common shares which may be issued or paid under or with respect to all restricted stock, performance share, share-based performance unit, nonshare-based performance unit, and non-restricted stock awards (considered in the aggregate but separately from all other forms of awards) is 7,400,000 common shares.

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

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

In addition to the aggregate award and plan limits, the limits set forth below apply in determining the maximum number of common shares or maximum amount of compensation that may ultimately be payable under any awards granted under the 2007 Long Term Incentive Plan to any employee during any one calendar year.

(1) The maximum number of common shares on which all stock option, SAR, restricted stock, performance share, share-based performance unit, and non-restricted stock awards (considered in the aggregate) granted under the 2007 Long Term Incentive Plan to any employee during each and any calendar year may be based (that is, the maximum number of common shares that can be issued or paid under such awards or have their fair market value or increase in fair market value over a period used to determine the amount of payments under such awards) is 2,000,000 common shares.

(2) The maximum value that is payable under all nonshare-based performance unit awards granted under the 2007 Long Term Incentive Plan to any person during each and any calendar year shall be \$5,000,000.

4. Performance Goals

To the extent the meeting of performance goals set by the Committee may be a condition to the exercise of or payment under any award granted under the 2007 Long Term Incentive Plan, the Committee may base such performance goals on, and only on, one or more of the following criteria:

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

• EBITDA (earnings before interest, taxes, depreciation, and amortization);

• earnings per share;

• operating income;

• total shareholder returns;

• profit targets;

• revenue targets;

• profitability targets as measured by return ratios;

• net income;

• return on sales;

• return on assets;

• return on equity; and

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

Any performance criteria shall be measured or determined on the basis of a performance period of not less than one year or in excess of ten years, shall be established not later than 90 days after the commencement of the performance period to which the performance goal relates, and shall have an outcome that is substantially uncertain at the time the goal is established and shall be able to be objectively determined by the Committee.

In addition, such performance criteria (i) may be measured or determined for the Company, for any subsidiary of the Company, for the Company and its subsidiaries considered in the aggregate, or for any group of corporations or organizations that are included in the 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, the Committee may provide in the terms of an award granted under the 2007 Long Term Incentive Plan that, in determining whether any of the above listed performance criteria has been attained, certain special or technical factors shall be ignored or, conversely, taken into account, in whole or in part.

Such special factors may include, but are not limited to, the gain, loss, or other impact of any one or more of the following: (i) changes in generally accepted accounting principles; (ii) an extraordinary event; (iii) nonrecurring events; (iv) the disposition of a business, in whole or in part, the sale of investments or non-core assets, or discontinued operations, categories, or segments of businesses; (v) claims and/or litigation and insurance recoveries; (vi) the impairment of tangible or intangible assets; (vii) restructuring activities, including reductions in force; (viii) investments or acquisitions; (ix) political and legal changes that impact operations, as a consequence of war, insurrection, riot, terrorism, confiscation, expropriation, business interruption, or similar events; (x) natural catastrophes; (xi) currency fluctuations; (xii) the issuance of stock options and/or other stock-based compensation; (xiii) the early retirement of debt; and/or (xiv) the conversion of convertible debt securities.

Plan Benefits

Awards made under the 2007 Long Term Incentive Plan to the executive officers of the Company named in the Summary Compensation Table on page 47 are set forth in the table's "Stock Awards" and "Option Awards" columns. In 2011, the aggregate amount of share-based awards under the 2007 Long Term Incentive Plan made to all executive officers as a group was 888,596 common shares and to all other eligible employees as a group was 408,773 common shares. In 2011, cash based awards were granted only to Mr. Cassidy in the amount of \$2,030,000. Amounts to be awarded under the 2007 Long Term Incentive Plan in the future are not determinable. It is the intention of the Committee to make awards under the 2007 Long Term Incentive Plan consistent with the Company's business needs and competitive practices.

Reapproval of Material Terms of Performance Goals

As indicated above, we are seeking shareholder reapproval of the material terms of the performance goals under which compensation may be paid under the 2007 Long Term Incentive Plan in order to permit any awards granted under the plan to covered employees which are intended to provide performance-based compensation to be deducted by the Company without regard to the deduction limits of Section 162(m) of the Code.

Without such reapproval by the Company's shareholders at their 2012 annual meeting, awards that are granted under the 2007 Long Term Incentive Plan to covered employees on or after such meeting 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 in connection with compensation paid to the covered employees.

Even if the Company's shareholders fail to reapprove the material terms of the performance goals set forth under the plan, the Company retains the right to grant awards, including performance-based compensation awards both under the 2007 Long Term Incentive Plan and outside such plan. The Company has no current definitive policy as to awards it may grant to covered employees either under or outside the 2007 Long Term Incentive Plan should the Company's shareholders fail to reapprove the material terms of the performance goals set forth under the plan. The failure of the shareholders to reapprove such terms and the resulting inability of such awards to avoid the deduction limits of Section 162(m) of the Code would be a factor in determining future awards to covered employees made by the Company.

The only certain result if the Company's shareholders fail to reapprove the material terms of the performance goals set forth under the 2007 Long Term Incentive Plan would be that no compensation payable by reason of future awards granted under the plan to covered employees will be able to avoid being subject to the deduction limits of Section 162(m) of the Code even if such avoidance would be beneficial to the Company and its shareholders.

Vote Required

Reapproval of the material terms of the performance goals under which compensation can be paid under the Cincinnati Bell Inc. 2007 Long Term Incentive Plan requires the affirmative vote of the holders of the majority of the common shares and 6 3/4% Cumulative Convertible Preferred Shares, voting as one class, present in person or represented by proxy at the annual meeting and entitled to vote on this proposal. Abstentions will count as votes against the proposal. Broker non-votes are not considered shares entitled to vote on this proposal and will have no

impact on the outcome of the proposal.

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Our Recommendation

The Board recommends a vote "FOR" the adoption of the proposal reapproving the material terms of the performance goals under the 2007 Long Term Incentive Plan.

Effect of Management Vote

Since the directors and officers of the Company own beneficially 11,554,804 voting shares, or approximately 6% of the outstanding voting shares, their votes on the proposal are not likely to have a material impact on whether this proposal is adopted.

PROPOSAL TO APPROVE AN AMENDMENT TO THE CINCINNATI BELL INC. 2007 STOCK OPTION PLAN FOR NON-EMPLOYEE DIRECTORS (Item 4 on Proxy Card)

The Cincinnati Bell Inc. 2007 Stock Option Plan for Non-Employee Directors (the "2007 Directors Plan"), which was adopted by the Board and became effective on May 3, 2007 after approval of the Company's shareholders at the 2007 Annual Meeting, permits stock options and restricted stock awards to be granted to those directors of the Company who are not employees of the Company or any of its subsidiaries (the "non-employee directors").

Under the current terms of the 2007 Directors Plan, up to 1,000,000 common shares may in the aggregate be the subject of awards granted during the life of the plan, all of which could be subject to stock option awards but only up to 300,000 of which could be granted as restricted stock. The Board has already granted approximately 300,000 common shares as restricted stock awards and is not able, without an amendment to the Plan, to grant any additional restricted stock awards under the plan (although previously awarded restricted shares might in the future be returned to the 2007 Directors Plan as a result of cancellations or expiration of the prior restricted share awards).

At this Annual Meeting, the shareholders of the Company are being asked to approve an amendment of the 2007 Directors Plan, that was approved (subject to shareholder approval) by the Board on October 28, 2011, to permit additional restricted stock awards to be granted under the plan. Under such amendment, while no additional shares will be authorized to be issued under the plan and a maximum of 1,000,000 common shares may still in the aggregate be the subject of awards granted during the life of the plan, the Company will have the flexibility regarding the type of awards to issue shares, subject to stock option awards or granted as restricted stock. In other words, the amendment removes the prior 300,000 common share limit on restricted stock granted under the 2007 Directors Plan and instead permits any common shares of the Company available to be subject to awards under the plan to be awarded as restricted shares. The Board approved the amendment and is requesting shareholder approval so that it can be competitive with comparable companies that are increasingly compensating their non-employee directors with restricted stock awards rather than stock options.

If the amendment is not approved, no further restricted stock awards may be granted under the 2007 Directors Plan (except for previously awarded restricted shares that might in the future be returned to the 2007 Directors Plan as a result of cancellations or expiration of the prior restricted share awards).

Aggregate Past Grants Under the 2007 Directors Plan

As of March 2, 2012, awards (net of canceled or expired awards) covering an aggregate of 353,998 common shares have been granted under the 2007 Directors Plan; 54,000 of the common shares are in the form of stock option awards and 299,998 of the common shares are in the form of restricted share awards. Consequently, in addition to any shares that might in the future be returned to the 2007 Directors Plan as a result of cancellations or expiration of awards, only 646,002 common shares remain available for future grants under the 2007 Directors Plan as of March 2, 2012 (only two of which may be issued in the form of a restricted stock award).

With respect to options granted under the 2007 Directors Plan, as of March 2, 2012, the fair market value of all common shares subject to such outstanding options was approximately \$135,000 (based on the closing sale price of \$3.76 for the Company's common shares as reported on the NYSE on such date). As of March 2, 2012, no shares had been issued upon exercise of any stock options granted under the 2007 Directors Plan.

The following table shows information regarding the distribution of the options and restricted stock awards outstanding as of March 2, 2012 pursuant to the 2007 Directors Plan, among the persons and groups identified below as of that date.

| Name | Stock Options | Restricted Stock Awards | | Number of shares outstanding and unvested |
|---------------------------|---|---|-------------------------|---|
| | Number of shares underlying past option grants* | Number of shares subject to past award grants** | Number of shares vested | |
| Bruce L. Byrnes | 9,000 | 39,556 | 6,633 | 32,923 |
| Phillip R. Cox | 9,000 | 39,556 | 6,633 | 32,923 |
| Jakki L. Haussler | — | 39,556 | 6,633 | 32,923 |
| Craig F. Maier | — | 39,556 | 6,633 | 32,923 |
| Alan R. Schriber | — | 9,840 | — | 9,840 |
| Alex Shumate | 9,000 | 39,556 | 6,633 | 32,923 |
| Lynn A. Wentworth | — | 39,556 | 6,633 | 32,923 |
| John M. Zrno | 9,000 | 39,556 | 6,633 | 32,923 |
| Current director nominees | 36,000 | 286,732 | 46,431 | 240,301 |
| Former directors | 18,000 | 13,266 | 13,266 | — |
| Total | 54,000 | 299,998 | 59,697 | 240,301 |

* All stock options are vested and fully exercisable and no stock option awards have been exercised.

** All restricted stock awards will vest on the third anniversary of their date of grant.

Summary of the Plan

THE FULL TEXT OF THE 2007 DIRECTORS PLAN, AS PROPOSED TO BE AMENDED, IS SET FORTH IN APPENDIX B OF THIS PROXY STATEMENT AND THE FOLLOWING DISCUSSION IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH TEXT.

The purposes of the 2007 Directors Plan are (i) to attract and retain the services of experienced and knowledgeable independent directors of the Company for the benefit of the Company and its shareholders and (ii) to provide further incentive for such directors to continue to work for the best interests of the Company and its shareholders. The plan was originally approved by the Company's shareholders on May 3, 2007.

The principal provisions of the 2007 Directors Plan are as follows:

1. Administration. The 2007 Directors Plan is administered by the Board. Subject to the limits and terms of the plan, the Board (i) makes awards under the plan, (ii) interprets the terms of the plan, and (iii) performs all other administrative actions necessary for the plan.

2. Non-Employee Directors Eligible to Receive Awards. Only a member of the Board who is not an employee of the Company or any subsidiary of the Company (a "non-employee director") is eligible to be granted an award under the 2007 Directors Plan. There are currently eight non-employee directors eligible to participate in the 2007 Directors Plan.

3. Types of Awards. The awards to be granted under the 2007 Directors Plan may consist of (i) stock options and/or (ii) restricted stock. No award may be granted under the plan after May 2, 2017.

(a) A stock option represents an option to purchase, over a certain time period not to exceed ten years, a number of common shares at a fixed purchase price. The fixed purchase price of any common share acquired under any stock option will not be less than 100% of the fair market value of a common share on the grant date of the option. No stock option granted under the plan may be an incentive stock option (a special type of stock option that can provide special tax advantages for employees).

(b) Restricted stock constitutes common shares that may not be disposed of by the non-employee director to whom they are awarded until certain restrictions lapse (and that will ultimately be forfeited to the extent such restrictions are not satisfied). In general, and subject to certain exceptions in the 2007 Directors Plan, such restrictions will not lapse in full unless the non-

employee director serves as a director of the Company for at least three years after the award's grant or unless the non-employee director's service as a Company director ends in special circumstances (such as his or her death, disability, or retirement after attaining the age of 68). The restrictions that apply to any restricted stock award may lapse as to a portion of the common shares subject to the award if the non-employee director meets some but not all of the imposed restrictions. Unless the Board otherwise determines, the recipient of restricted stock has all rights of a shareholder of the Company with respect to the restricted common shares, including the right to vote and to receive cash dividends.

4. Grants of Awards. The 2007 Directors Plan provides that each non-employee director of the Company may, at the discretion of the Board, be granted a stock option for a number of common shares and/or a number of restricted common shares on the date of each annual meeting if such director first became a non-employee director before the date of such annual meeting and continues in office as a non-employee director after such meeting (or, for a new non-employee director, on the first day of his or her term as a director of the Company).

The Board is to exercise its discretion when taking any action described above with the intent that the awards it makes under the 2007 Directors Plan, together with other compensation provided the non-employee directors that is either paid in the form of common shares or has its value determined in relation to the value of common shares ("equity-based compensation"), provides equity-based compensation for the non-employee directors that each year is approximately equal to the median level of the value of equity-based compensation provided by a group of comparable peer group companies to their non-employee directors.

5. Shares Reserved for Issuance. Subject to adjustment in the case of certain changes in the capital structure of the Company, the following limits apply to the number of common shares that may be issued or paid under or with respect to awards granted under the 2007 Directors Plan.

(a) The maximum number of common shares of the Company which may be issued or paid under or with respect to all of the awards (considered in the aggregate) granted under the plan during the plan's entire existence is 1,000,000 common shares.

(b) The maximum number of common shares of the Company which may be issued or paid under or with respect to all stock options (considered in the aggregate but separately from all restricted stock awards) granted under the plan during the plan's entire existence is 1,000,000 common shares.

(c) The maximum number of common shares of the Company which may be issued or paid under or with respect to all restricted stock awards (considered in the aggregate but separately from all stock option awards) granted under the plan during the plan's entire existence is currently 300,000 common shares but, as has been noted above, has been amended by the Board (subject to shareholder approval) to be 1,000,000 common shares. This is the only change in the 2007 Directors Plan for which shareholder approval is being requested.

6. Change in Control. In the event a change in control of the Company occurs, then, in general terms and among other things (unless otherwise prescribed by the terms of the applicable award): (i) all then outstanding stock options that were granted under the 2007 Directors Plan will become exercisable in full; and (ii) the restrictions still then in force and applicable to any common shares that have been awarded under the plan as restricted stock shall lapse.

In addition, unless otherwise prescribed by the Board in an award, in the event of a change in control of the Company, the Board will have discretion to pay in cash (in lieu of the right to exercise) the then fair market value of any then outstanding stock option provided that the then fair market value of the common shares that are subject to such option exceeds the option's purchase price as to such shares.

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

8. Fair Market Value of Common Shares. For purposes of the 2007 Directors Plan, the fair market value of a Company common share on any date shall generally be deemed to be the closing price of a Company common share

on the NYSE on such date (or, if no trading in any stocks occurred at all on such exchange on such date, on the next subsequent date on which trading of stocks occurred on the exchange). If, however, common shares are not listed or traded at all on the NYSE on any date as of which a Company common share's fair market value is needed to be determined for purposes of the plan, then the fair market value of a common share on such date will be determined by the Board in good faith.

9. Amendment and Termination. The 2007 Directors Plan may generally be amended or terminated by the Board, provided that no such action shall impair the rights of a non-employee director with respect to a previously granted award without the non-employee director's consent.

However, the 2007 Directors Plan provides that no amendment to the plan shall be made without approval of the Company's shareholders: (i) if such amendment would increase the total number of common shares reserved for issuance under all awards that may be granted under the plan; (ii) if such amendment would change the class of persons eligible for awards under the plan; or (iii) if such amendment would make any other change in the plan that is required by applicable law to be approved by the Company's shareholders in order to be effective. In addition, the rules of the NYSE require shareholder approval of material amendments to the plan.

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

10. Federal Income Tax Consequences. The following describes, in very general terms, the federal income tax consequences arising with respect to awards granted under the 2007 Directors Plan.

A stock option that is granted to a non-employee director will generally create no tax consequences for the director or the Company at the time of the grant of the award. Further, upon exercising any stock option, the non-employee director generally must recognize ordinary income equal to the amount by which the fair market value of the common shares that are subject to the portion of the option being exercised, as determined on the date of exercise, exceeds the purchase price of such common shares, and the Company will be entitled to a deduction for the same amount.

The treatment to a non-employee director of a disposition of common shares acquired through the exercise of a stock option depends on how long the common shares have been held. Generally, there will be no tax consequence to the Company in connection with a disposition of common shares acquired under a stock option.

With respect to a restricted stock award granted under the 2007 Directors Plan to a non-employee director, the non-employee director generally must recognize ordinary income equal to the fair market value of the common shares provided under the award at the first time such common shares are not subject to a substantial risk that they will be forfeited; and the Company will be entitled to a deduction for the same amount.

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

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

11. Miscellaneous. The 2007 Directors Plan generally requires that any purchase price or tax withholding obligations that apply to a non-employee director with respect to an award granted under the plan to him or her must be satisfied by the non-employee director when the award is exercised or when the award's common shares are no longer subject to a substantial risk of forfeiture. The plan gives several different methods that the Board can use or permit to ensure that such purchase price and tax withholding requirements are satisfied.

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

Vote Required

Approval of the amendments to the Cincinnati Bell Inc. 2007 Stock Option Plan for Non-Employee Directors requires the affirmative vote of the holders of a majority of the common shares and 6 ¾% Cumulative Convertible Preferred Shares, voting as one class, present or represented at the annual meeting, in person or by proxy, and entitled to vote on this proposal. Abstentions will have the same effect as votes against the proposal. Since the Company believes this proposal to be "non-routine," brokers will not have discretion to vote on this proposal without your instruction. In addition, the NYSE also requires that the number of votes actually cast on this proposal (the "NYSE Votes Cast") be greater than 50% of the votes available to be cast if all shareholders voted on the proposal. Because only "FOR" votes, "AGAINST" votes and abstentions count as NYSE Votes Cast and brokers non-votes do not, broker non-votes will have a negative effect on the outcome of this proposal.

Our Recommendation

The Board recommends a vote “FOR” the approval of the amendment to the Cincinnati Bell Inc. 2007 Stock Option Plan for Non-Employee Directors.

Effect of Management Vote

Since the directors and officers of the Company own beneficially 11,554,804 voting shares, or approximately 6% of the outstanding voting shares, their votes on the proposal are not likely to have a material impact on whether this proposal is adopted.

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (Item 5 on the Proxy Card)

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

On January 28, 2012, the Audit and Finance Committee retained Deloitte & Touche LLP as its Independent Registered Public Accounting Firm to audit the financial statements of the Company for the fiscal year ending December 31, 2012.

The Company is asking the shareholders to ratify the Committee's appointment of Deloitte & Touche LLP as the Independent Registered Public Accounting Firm of the Company for the fiscal year ending December 31, 2012. If the shareholders do not ratify this appointment, the Audit and Finance Committee will consider the results of the vote and determine whether to appoint a different independent registered public accounting firm to audit the financial statements of the Company for the fiscal year ending December 31, 2012.

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

Vote Required

Ratification of the appointment of Deloitte & Touche LLP as the Independent Registered Public Accounting Firm of the Company requires the affirmative vote of the holders of a majority of the common shares and 6 ¾% Cumulative Convertible Preferred Shares, voting as one class, present or represented at the annual meeting, in person or by proxy, and entitled to vote on this proposal. Abstentions will have the effect of a vote against the proposal. Since the Company believes this proposal to be "routine," broker non-votes will likely be voted by the organizations holding such shares in their discretion.

Our Recommendation

The Board recommends a vote "FOR" such ratification of the appointment of Deloitte & Touche LLP as the Independent Registered Public Accounting Firm for the year 2012.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2011 regarding securities of the Company to be issued and remaining available for issuance under the equity compensation plans of the Company:

| Plan Category | Number of securities to be issued upon exercise of stock options, warrants and rights (a) | Weighted-average exercise price of outstanding stock options, awards, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
|--|--|--|--|
| Equity compensation plans approved by security holders | 16,855,474 | (1) \$ 3.57 | 6,955,209 |
| Equity compensation plans not approved by security holders | 249,276 | (2) — | — |
| Total | 17,104,750 | \$ 3.57 | 6,955,209 |

Includes 14,152,401 outstanding stock options and stock appreciation rights not yet exercised, 871,880 shares of time-based restricted stock, and 1,831,193 shares of performance-based awards, restrictions on which have not (1) expired as of December 31, 2011. These awards were granted under various incentive plans approved by the Company's shareholders. The number of performance-based awards assumes the maximum awards that can be earned if the performance conditions are achieved.

The shares to be issued relate to deferred compensation in the form of previously received special awards and (2) annual awards to non-employee directors pursuant to the "Deferred Compensation Plan for Non-Employee Directors." From 1997 through 2004, the directors

received an annual award of phantom stock equivalent to a number of common shares. For years beginning after 2004 and before 2012, the annual award was the equivalent of 6,000 common shares. As a result of a plan amendment effective as of January 1, 2005, upon termination of Board service, non-employee directors are required to take distribution of all annual phantom stock awards in cash. Therefore, the number of actual shares of common stock to be issued pursuant to the plan as of December 31, 2011 is approximately 14,000. This plan also provides that no awards are payable until such non-employee director completes at least five years of active service as a non-employee director, except if he or she dies while serving as a member of the Board of Directors.

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

AUDIT AND FINANCE COMMITTEE REPORT

The Audit and Finance Committee of the Board has reviewed and discussed the Company's audited financial statements with the management of the Company and has reviewed a report from management assessing the Company's internal controls. The Audit and Finance Committee has discussed with Deloitte & Touche LLP, the Company's Independent Registered Public Accounting Firm for the fiscal year ended December 31, 2011, the matters required to be discussed by the Statement on Auditing Standards No. 61, Communications with Audit Committees (Codification of Statements on Auditing Standards, AU 380) and as adopted by the Public Company Accounting Oversight Board in Rule 3200T, as currently in effect. The Audit and Finance Committee has also received the written disclosures and letter from the Independent Registered Public Accounting Firm required by applicable standards of the Public Company Accounting Oversight Board, has discussed with Deloitte & Touche LLP their independence with respect to the Company, and has considered the question of whether the auditors' provision of non-audit services was compatible with the Independent Registered Public Accounting Firm maintaining their independence. Based on its review and discussions referred to in the preceding paragraph, the Audit and Finance Committee recommended to the Board that the audited financial statements for the Company's fiscal year ended December 31, 2011 be included in the Company's Annual Report on Form 10-K for the Company's fiscal year ended December 31, 2011.

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

AUDIT AND FINANCE COMMITTEE

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

INDEPENDENT ACCOUNTANTS

Audit Fees

Deloitte & Touche LLP was the Company's Independent Registered Public Accounting Firm for the 2011 and 2010 fiscal years. Aggregate fees for professional services rendered by Deloitte & Touche LLP for the year ended December 31, 2011 and 2010 were as follows:

| | 2011 | 2010 |
|--------------------|-------------|-------------|
| Audit fees | \$1,918,959 | \$1,694,500 |
| Audit related fees | 637,655 | 955,130 |
| Tax fees | 263,494 | 130,532 |

| | | |
|----------------|--------------------|--------------------|
| All other fees | | |
| Total | <u>\$2,820,108</u> | <u>\$2,780,162</u> |

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Audit fees

The audit fees for the years ended December 31, 2011 and 2010 were for services rendered in connection with the audit of the Company's annual financial statements, review of quarterly financial statements included in the Company's reports filed with the SEC and services related to requirements established by the Sarbanes-Oxley Act of 2002.

Audit related fees

The audit related fees for the years ended December 31, 2011 and 2010 were for professional services rendered for the audits of the Company's employee benefit plans filed with the SEC, securities and debt offerings, due diligence services and various accounting consultations.

Tax fees

Tax fees for the years ended December 31, 2011 and 2010 were for the preparation of various tax filings and tax consultations.

All other fees

None.

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

In accordance with its charter, the Audit and Finance Committee has the sole authority and responsibility to select, evaluate and, if necessary, replace the Independent Registered Public Accounting Firm. The Audit and Finance Committee has the sole authority to approve all audit engagement fees and terms. In addition, the Audit and Finance Committee, or the Chairperson of the Audit and Finance Committee between regularly scheduled meetings, must pre-approve all services provided to the Company by the Company's Independent Registered Public Accounting Firm. Pursuant to Section 202 of the Sarbanes-Oxley Act of 2002, the Audit and Finance Committee pre-approved every engagement of Deloitte & Touche LLP to perform audit or non-audit services on behalf of the Company or any of its subsidiaries during the years ended December 31, 2011 and 2010.

STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of common shares as of December 31, 2011 (except as otherwise noted) by each beneficial owner of more than five percent (5%) of the common shares outstanding known by the Company. No beneficial owner owns more than five percent (5%) of the 6 ³/₄% Cumulative Convertible Preferred Shares.

| Name and Address of Beneficial Owner | Common Shares Beneficially Owned | | Percent of Common Shares | |
|--|--|-----|-----------------------------|---|
| GAMCO Investors, Inc. and affiliates One Corporate Center Rye, NY 10580 | 22,590,648 | (a) | 11.51 | % |
| BlackRock, Inc. 40 East 52nd Street New York, NY 10022 | 17,631,403 | (b) | 9.01 | % |
| Wells Fargo and Company 420 Montgomery Street San Francisco, CA 94104 | 14,580,666 | (c) | 7.45 | % |
| Pinnacle Associates, LTD 335 Madison Avenue, 11th Floor New York, NY 10017 | 11,837,574 | (d) | 5.90 | % |
| The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355 | 11,738,152 | (e) | 5.99 | % |

(a)

As reported on Schedule 13D/A filed on January 12, 2012 by GAMCO Investors, Inc., Gabelli Funds, LLC has sole voting and dispositive power for 9,045,771 common shares, GAMCO Asset Management Inc. has sole voting power for 12,677,177 common

shares and sole dispositive power for 13,256,877 common shares, MJG Associates, Inc. has sole voting and dispositive power for 30,000 common shares, Mario J. Gabelli has sole voting and dispositive power for 12,000 common shares, Teton Advisors has sole voting and dispositive power for 240,000 common shares and Gabelli Securities, Inc. has sole voting and dispositive power for 6,000 common shares. The amounts reported on Schedule 13D/A include a number of shares with respect to which Gabelli Funds, LLC and GAMCO Asset Management Inc. have the right to beneficial ownership upon the conversion of the Company's $\frac{6}{4}\%$ Cumulative Convertible Preferred Shares.

(b) As reported on Schedule 13G/A filed on February 9, 2012 by BlackRock, Inc., as of December 30, 2011, BlackRock, Inc. has sole voting and dispositive power for 17,631,403 common shares.

As reported on Schedule 13G/A filed on January 24, 2012 by Wells Fargo and Company, as of December 31, 2011, (c) Wells Fargo and Company beneficially owns 14,580,666 common shares and has sole voting power for 14,431,590 common shares and sole dispositive power for 14,158,461 common shares.

(d) As reported on Schedule 13G on March 14, 2011 by Pinnacle Associates, LTD, as of December 31, 2010, Pinnacle Associates, LTD, has sole voting and dispositive power for 11,837,574 common shares.

As reported on Schedule 13G/A filed on February 10, 2012 by The Vanguard Group, Inc., as of December 31, 2011, The Vanguard Group, Inc. has sole voting power for 278,844 common shares and sole dispositive power for (e) 11,459,308. The Vanguard Group, Inc. has shared voting power for no common shares and shared dispositive power for 278,844 common shares with Vanguard Fiduciary Trust Company.

The following table sets forth the beneficial ownership of common shares and $6\frac{3}{4}\%$ Cumulative Convertible Preferred Shares as of March 2, 2012 (except as otherwise noted) by (i) each director and each executive officer named in the Summary Compensation Table on page 47, and (ii) all directors and executive officers of the Company as a group.

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

| Name and Address of Beneficial Owner | Common Shares Beneficially Owned as of March 2, 2012 (a) | Percent of Common Shares (c) | Convertible Preferred Shares Beneficially Owned as of March 2, 2012 (d) | $6\frac{3}{4}\%$ Cumulative Convertible Preferred Shares (d) |
|---|--|------------------------------------|--|---|
| Bruce L. Byrnes | 165,741 | * | — | * |
| John F. Cassidy | 6,783,480 | 3.4% | — | * |
| Phillip R. Cox | 92,633 | * | — | * |
| Kurt A. Freyberger | 256,606 | * | — | * |
| Jakki L. Haussler | 38,519 | * | — | * |
| Craig F. Maier | 40,103 | * | — | * |
| Alan R. Schriber | 9,840 | * | — | * |
| Alex Shumate | 83,385 | * | — | * |
| Theodore H. Torbeck | 1,337,707 | * | — | * |
| Lynn A. Wentworth | 38,519 | * | — | * |
| Christopher J. Wilson | 1,032,508 | * | — | * |
| Gary J. Wojtaszek | 1,136,527 | * | — | * |
| John M. Zrno (b) | 173,085 | * | — | * |
| All directors and executive officers as a group (consisting of 15 persons, including those named above) | 11,554,804 | 5.9% | — | * |

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

(a) Includes common shares subject to outstanding options and SARs under the Cincinnati Bell Inc. 1997 Long Term Incentive Plan, the Cincinnati Bell Inc. 2007 Long Term Incentive Plan and the Directors Plan that are exercisable by such individuals within 60 days. The following options are included in the totals: 61,000 common shares for

Mr. Byrnes; 4,594,956 common shares for Mr. Cassidy; 56,650 common shares for Mr. Cox; 167,636 common shares for Mr. Freyberger; 43,000 common shares for Mr. Shumate; 591,451 common shares for Mr. Wilson; 742,874 common shares for Mr. Wojtaszek; and 107,700 common shares for Mr. Zrno.

(b) Includes 25,000 common shares held by the Zrno Family Limited Partnership.

(c) These numbers are based upon 196,996,468 common shares issued and outstanding as of the Record Date.

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

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

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the following Compensation Discussion and Analysis with management. Based on our review and discussions with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference in Cincinnati Bell Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

COMPENSATION COMMITTEE

John M. Zrno, Chairman

Phillip R. Cox

Bruce L. Byrnes

Craig F. Maier

Alex Shumate

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

The material on the following pages sets forth an overview and explanation of the Company's executive compensation philosophy and how it is put into practice. The Company and the Compensation Committee both believe that the central objective of an effective compensation practice is to provide an appropriate and competitive mixture of base pay (the "fixed cost" of the program) and incentive compensation programs that promote achievement of current year goals and longer-term business strategies. The Company and the Compensation Committee believe the program's incentives drive appropriate business behavior without inducing its executives to take undue business risks.

The Company believes that its compensation program, taken as a whole, has been effective in attracting and retaining key executive talent, driving attainment of its annual revenue and Adjusted EBITDA goals, delivering sustained cash flow performance over multiple years during a period of great economic disruption and industry competition, and aligning executive long-term incentive rewards with the interests of shareholders. The creation of the Data Center Performance Plan in 2010 should provide a significant incentive to drive transformative growth in the Company's Data Center Colocation segment over the next several years. See additional details of the Data Center Performance Plan beginning on page 40.

The Company applies its compensation policies and related decision-making processes to the Chief Executive Officer on the same basis as to the other named executive officers. Differences in pay levels for the Chief Executive Officer relative to the other named executive officers is reflective of the additional responsibility, knowledge, strategic judgment and leadership required of the Chief Executive Officer as compared to the other named executive officers.

The Company's 2011 named executive officers ("NEOs") are:

| | |
|-----------------------|--|
| John F. Cassidy | President and Chief Executive Officer |
| Kurt A. Freyberger | Chief Financial Officer since August 5, 2011 |
| Theodore H. Torbeck | President and General Manager, Cincinnati Bell Communications Group |
| Gary J. Wojtaszek | President of CyrusOne Inc. since August 5, 2011, former Chief Financial Officer of the Company |
| Christopher J. Wilson | Vice President, General Counsel and Secretary |

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

Executive Summary

Financial Results

In 2011, as a result of solid performance across all of its business segments, the Company achieved its highest annual revenue and "Adjusted EBITDA", as defined by the Company, since 2003, exceeded its original financial guidance, and continued the growth momentum of its Data Center Colocation business.

The Company's revenue for 2011 increased \$85 million, or 6%, compared to 2010. The Data Center Colocation segment revenue increased \$59 million in 2011 compared to 2010 primarily due to the acquisition of CyrusOne in June 2010 and new business earned in 2011. In addition, the IT Services and Hardware segment revenue increased \$46 million in 2011. Offsetting these increases were declines in our traditional Wireline and Wireless businesses. The decrease in Wireline revenue was due to continued access line loss, which was partially mitigated by growth in Fioptics subscribers. Wireless subscribers declined by 10% in 2011 compared to 2010 driving the decrease in Wireless revenue.

Adjusted EBITDA for 2011 was \$545 million compared to \$519 million in 2010. Similar to the trends described above for revenue, Data Center Colocation's Adjusted EBITDA increased by \$32 million in 2011 and IT Services and Hardware's Adjusted EBITDA increased by \$6 million. Wireline and Wireless experienced \$7 million and \$3 million declines in Adjusted EBITDA, respectively. However, despite the declines in revenue, Wireline was able to maintain an Adjusted EBITDA margin of 49%, consistent with 2010, and Wireless slightly increased its Adjusted EBITDA margin to 32% in 2011.

In 2011, the Company continued to execute on its strategy of becoming the preferred global data center colocation provider to the Fortune 1000 as we expanded our data center capacity by 124,000 square feet. Customer demand for outsourced data center services is expected to be strong in future years. We plan to further grow operations in 2012 by expanding existing data center facilities and building new facilities in new geographies, such as Phoenix and San Antonio. In addition, we continued the investment in our Fioptics suite of products and now pass 134,000 units. As a result of the described expansions, capital expenditures increased by \$106 million in 2011, contributing largely to the \$138 million decline in free cash flow compared to 2010. Interest payments also increased \$39 million in 2011 compared to 2010 as a result of average debt outstanding being higher in 2011 compared to the prior year primarily due to the acquisition of CyrusOne Inc. Pension and postretirement payments and contributions also increased \$18 million in the current year. The \$26 million increase in Adjusted EBITDA partially offset these decreases in free cash flow in 2011.

The "Management's Discussion and Analysis of Financial Conditions and Results of Operations" in the Company's Annual Report on Form 10 K describes the Company's 2011 financial results in greater detail.

The Company's executive compensation program ties a significant portion of an executive's annual compensation to the Company's achievement of performance-based financial targets. The table below highlights the year-over-year comparison of some of the key financial metrics that the Company uses in evaluating its performance generally and for the purpose of making executive compensation decisions.

| Performance Measure | Fiscal Year 2011 | Fiscal Year 2010 | % Change | 2011 Original Guidance |
|---------------------|------------------|------------------|----------|------------------------|
| Revenue | \$1.46 B | \$1.38 B | 6% | \$1.4 B |
| Adjusted EBITDA (a) | \$545 M | \$519 M | 5% | \$530 M +/- 2% |
| Free Cash Flow (a) | \$11 M | \$ 149 M | (93)% | \$5 M |

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

In connection with the Company's expansion of its Data Center Colocation business and the continued upgrade and maintenance of its core communications business' assets, the Company has increased its capital expenditures. As a result, Free Cash Flow is no longer an appropriate long term-incentive performance measure since the targets are small and minimal fluctuations in the Free Cash Flow result would lead to rather volatile fluctuations in plan payout results. Therefore, the Compensation Committee approved a new performance measure for use in connection with long-term incentive awards, "Unlevered Cash Return on Average Assets," which is discussed below.

Although shareholders and proxy advisory companies tend to focus on "total shareholder return" ("TSR") as a major factor in judging a Company's performance, we have historically adopted other measures of the Company's financial performance on the theory that using TSR as a financial metric might encourage a focus on short-term results. For example, at

a time when its core telecommunications business faced intense competitive challenges, the Company has used its capital to seize the opportunity to become the premier data center colocation provider to Fortune 1000 companies rather than pay dividends to its shareholders, which could be detrimental to the Company's long-term strategic opportunities. In addition, as a result of the scope of the Company's historical debt obligations and external economic factors (e.g., sovereign debt fears), the market price of the Company's common shares has been volatile and has not always fully reflected the Company's operating results and performance. Finally, the Committee questions the appropriateness of TSR as a financial metric given its tendency to be influenced by external factors. As a result, the Company used the foregoing financial metrics to measure its performance in 2011.

Actions Resulting from Negative Say-on-Pay Vote

After receiving a negative shareholder vote on the say-on-pay proposal at its May 2011 annual meeting, the Company reached out to its major shareholders to discuss and understand the underlying reasons for their vote. The Company had eight shareholders (equity, investment or mutual funds) that owned greater than 5% of the outstanding common shares each, or 58.5% in the aggregate. The two major reasons heard by the Company for the negative votes were: (i) the major shareholders did not have the resources or time to evaluate every company in which they owned stock and, therefore, had adopted a policy of following ISS Corporate Services' ("ISS") recommendation for the vote; and (ii) they did not understand the disclosures concerning, or did not support, the 2010 retention/discretionary bonus payments to the Company's Chief Executive Officer (the "CEO" or "Chief Executive Officer") and the discretionary bonus payment made to Mr. Wojtaszek.

In addition, the Compensation Committee and its independent compensation consultant initiated a review of certain aspects of the Company's executive compensation program to determine whether there should be changes to the process and substance of how compensation is determined.

CEO Evaluation Process. The Compensation Committee considered whether the substantive evaluation of the CEO's performance should be made by the Governance and Nominating Committee and then communicated to the Compensation Committee, which would consider and recommend the CEO's compensation levels. The decision reached was that it made the most sense to not bifurcate the process and to leave the entire process with the Compensation Committee with the Committee's recommendation being presented to the Board for approval.

Peer Group Modifications. The concerns were whether (i) the inclusion of large revenue telecommunications companies in the peer groups caused the benchmark analysis to be higher than it might otherwise be for an organization of the Company's size and (ii) whether data center colocation companies should be included in the peer groups. As indicated below, since executive compensation is correlated with a company's annual revenue, Towers Watson & Company, a global compensation and benefits consulting firm ("Towers Watson"), and the Company use a statistical technique known as "regression analysis" to adjust the compensation pay data of the peer groups' companies to take into account differences in revenue among the companies so that a company's larger size does not skew the peer groups' data. In addition, with the shift of the Company's strategy, they decided that data center service providers should be added to the industry specific peer group.

Annual Incentive Plan Data Center Performance Metrics. Historically, the Cincinnati Bell Inc. 2011 Short Term Incentive Plan performance metrics have been set on a company-wide basis without focusing on a particular business segment. However, the Compensation Committee and its consultant determined, in conjunction with the CEO's recommendation, that 50% of the performance measures of Mr. Wojtaszek's 2012 annual incentives will be based on CyrusOne financial results (spread over two metrics, Revenue and Adjusted EBITDA of CyrusOne).

Long-Term Incentives. The Compensation Committee and its independent consultant examined various aspects of the 2007 Long Term Incentive Plan, to determine whether the appropriate performance metrics are being used.

Consideration was given to determine if there is a proper correlation between risk and reward and if there is a better way to align management's performance goals to maximize shareholders return. In connection with its analysis, the Company engaged ISS to provide a better understanding of the protocols that ISS uses to evaluate executive compensation. The Company learned that ISS considers the following long-term incentives to be non-performance

based compensation:

Any long-term incentives that are settled in cash even though the award only vests on the achievement of objective performance measures, and

Stock option grants that vest solely on the passage of time.

In 2009, in conjunction with shareholders approval increasing the number of common shares available for

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issuance under the 2007 Long Term Incentive Plan, the Compensation Committee adopted a policy limiting the number of common shares to be awarded under the 2007 Long Term Incentive Plan each year to 2,000,000 shares. Working within this limitation, to make certain that ISS considered the 2012 long-term incentive awards for the CEO as performance based compensation, the Compensation Committee did the following:

The CEO's 2012-2014 long-term performance unit award will vest on the achievement of the Unlevered Cash Return on Average Assets performance objectives (the "UCR Objectives") and will be payable entirely in common shares. Unlevered Cash Return on Average Assets is defined as operating cash flow excluding interest payments as a percentage of average total assets.

The remaining portion of the CEO's long-term incentives will be in non-qualified stock options that will vest on the achievement of the UCR Objectives.

To the extent that paying the other NEOs long-term incentives in shares causes the 2,000,000 share limitation to be exceeded, the Compensation Committee has determined that such long-term incentives will be settled in cash or will be granted as SARs rather than non-qualified stock options.

In addition, the Compensation Committee did not grant any discretionary bonuses to the NEOs for 2011.

The negative say-on-pay vote also resulted in the Company, its directors and certain executive officers being named defendants in two purported shareholder derivative actions - one in federal court and one in state court. In the state court action, the plaintiff and the defendants entered into a proposed settlement that the state court has approved preliminarily, subject to final approval of the shareholders at a hearing scheduled for April 2012. The settlement's terms focus on corporate governance measures emphasizing clearer and improved communications with its shareholders and enhanced internal processes in addressing such shareholders' concerns about the Company's executive compensation. In addition, on March 1, 2012, in the federal court action, the parties agreed to stay the federal court action pending entry of a judgment in the state court action. Counsel for the plaintiffs in federal court action will file an application for attorneys' fees and expenses in the state court action. The parties in the federal court action also agreed that, upon entry of a state court action judgment, they will dismiss the federal court action with prejudice. Set forth below are representative items to which the Company has agreed in the state court settlement. (The entire proposed settlement is set forth in the Company's Form 8-K, Current Report, dated December 20, 2011):

If a majority of shareholders vote against the advisory "say-on-pay" vote proposal set forth in the proxy statement: (i) the Compensation Committee will retain the services of an executive compensation consultant that has not previously been engaged by the Company or any of its affiliates for the purpose of reviewing and evaluating the existing compensation policies and recommendations, and, upon the engagement of such new executive compensation consultant, the Company will promptly convene a meeting with the new consultant and the Compensation Committee's existing consultant to discuss the negative vote and whether and to what extent the proposed executive compensation program should be changed; and (ii) the Company, either through the Compensation Committee or the Board, shall publish to the shareholders a formal written response within 90 days.

The Company shall maintain a Compensation Committee composed entirely of fully independent directors, and the Board shall rotate the members of the Compensation Committee. Beginning in fiscal year 2012 and each year thereafter, one member of the Compensation Committee will step down and a new independent director shall be appointed in his/her place. The director stepping down must not serve on the Compensation Committee for at least one year.

The Audit and Finance Committee (the "A&F Committee") shall make the Compensation Committee aware of issues that may impact the Company's future financial performance and, therefore, affect incentive compensation awards. The A&F Committee shall periodically examine the types of businesses that the Company is engaged in, and the risks associated therewith, and shall report such findings to the Board. The A&F Committee shall oversee periodic audits of the compensation process, whether by the Company's internal or external auditors as appropriate, and shall make the Compensation Committee aware of the audit results as well as any other issues that may affect the Company's future financial performance and, therefore, affect incentive compensation.

The Company shall endeavor to use easy to understand language in the CD&A section in its proxy statement so that shareholders can clearly see the link between its compensation philosophy and its practices.

• The Company agreed to continue certain of its practices that it already has in place for the benefit of its shareholders and those that are required by applicable laws and regulations.

Modifications to 2012 Executive Compensation

The Compensation Committee's decisions setting 2011 annual compensation, including performance-based award opportunities, were made in December 2010 and/or January 2011. Thus, by the time of the May 2011 advisory say-on-pay vote in connection with the 2010 compensation, 2011 compensation targets and incentives had been determined and set. However, based on its review and analysis as described above, for fiscal year 2012, the Compensation Committee has made the following decisions regarding the executive compensation program:

The Compensation Committee decided to continue to establish the long-term incentive opportunities for the NEOs as a dollar amount based upon the Committee's assessment of market data provided by Towers Watson for comparable positions.

The Compensation Committee eliminated the "Free Cash Flow" performance measure for 2012 and future awards for the reasons set forth above and replaced it with the UCR Objectives.

The Compensation Committee decided to continue to allocate the long-term incentive opportunities between 50% in performance unit awards; and 50% in stock options/SARs.

The Compensation Committee eliminated stock options that vested solely on the passage of time and decided that all stock options will vest over a three-year period upon achieving the UCR Objectives.

Compensation Practices

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

Performance-based Compensation. The Company believes that a significant percentage of each NEOs' total compensation should be performance-based or "at-risk." Only 18% of the CEO's and 40% of the Other NEOs' target compensation in 2011 was paid in the form of base salary. The value of the remaining 82% and 60%, respectively, was linked directly to performance.

| | |
|--------------------------|--------------------------|
| Stock Options/SARs | Stock Options/SARs** |
| 27% | 12% |
| Performance Based Awards | Performance Based Awards |
| 27% | 12% |
| Annual Cash Incentive | Annual Cash Incentive |
| 28% | 36% |
| Base Salary | Base Salary |
| 18% | 40% |
| Chief Executive Officer | Other NEOs* |

* The percentages for the Other NEOs understate the actual distribution of compensation. In 2011, the Company granted Mr. Torbeck an award of \$1.8 million of restricted common shares that vest over a three-year period. This award was provided to compensate him for the compensation he forfeited when left his previous employer to accept employment with the Company. Consequently, for 2011, Mr. Torbeck did not receive any performance unit or stock option/SARs awards.

** The calculation includes SARs that were granted at the December 7, 2010 Compensation Committee meeting with the intention of being 2011 incentive compensation.

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

Clawback Policy. Effective January 1, 2011, the Company adopted a clawback policy that allows the Company to recover incentive payments to or realized by certain “executive officers” in the event that the incentive compensation was based on the achievement of financial results that are subsequently restated to correct any

accounting error due to material noncompliance with any financial reporting requirement under the federal securities laws, and such restatement results in a lower payment or award.

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

Outside Independent Compensation Consultant. The Compensation Committee utilizes the services of an outside independent compensation consultant to assist in its duties. The Compensation Committee's consultant performs no other services for the Company or its management.

Elimination of Gross-Ups. The Compensation Committee has a policy that any new or materially amended employment agreement with any NEO will not contain any excise tax gross-up provisions with respect to payments contingent on a change in control.

Stock Ownership Guidelines. Stock ownership guidelines are in place for our NEOs.

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

Compensation Program Objectives

The executive compensation program's primary objectives are:

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

Elements of Compensation

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

| Component | Purpose | Key Characteristics |
|--|---|--|
| Base Salary | <ul style="list-style-type: none"> •Allow Company to attract and retain executives •Recognize individual performance through merit increase •Recognize individual work experience and level of responsibility •Motivate executive to contribute to Company's achievement of its annual financial goals and strategic objectives | <ul style="list-style-type: none"> •Fixed annual cash compensation •Increases primarily driven by individual performance and by market positioning •Used to calculate other components of compensation |
| Annual Incentives | <ul style="list-style-type: none"> •Motivate executives to achieve individual annual performance goals | <ul style="list-style-type: none"> •Performance-based incentive compensation •Bonus target set as a percentage of base salary |
| Long-Term Incentives | <ul style="list-style-type: none"> •To align executive and shareholder interests because the increase in value of the stock options and SARs are dependent on improvements in stock price | |
| Non-qualified Stock Options and Stock Appreciation Rights ("SARs") | <ul style="list-style-type: none"> •Motivate executive to contribute to Company's achievement of its long-term financial goals and strategic objectives •Facilitate executive equity ownership thereby aligning executive and shareholder interests •Motivate executive to contribute to Company's achievement of its long-term financial goals and strategic objectives | <ul style="list-style-type: none"> •Performance-based incentive compensation •Vests 100% over 3 year period from grant date and/or on the achievement of performance measure goals •Stock options expire 10 years from grant date |
| Performance-Based Awards | <ul style="list-style-type: none"> •Provide a measure of Company performance that is not tied to short-term market volatility | <ul style="list-style-type: none"> •Performance-based incentive compensation •Granted each year with cumulative one-year, two-year, and three year performance cycles |

Base Salary

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

For 2011, the Company terminated its "cafeteria-style" flexible perquisite program and in its place increased each NEO's base salary by the amount of the annual allowance that it previously provided to them (\$38,000 for Mr. Cassidy, \$26,000 for Mr. Torbeck and Mr. Wojtaszek and \$16,000 for Mr. Freyberger and Mr. Wilson). Excluding the above increase, base salary increases for the NEOs ranged from 0% to 3% with the exception of Messrs. Wojtaszek and Freyberger. Mr. Wojtaszek received a 40% increase commensurate with his assumption of additional operational

responsibilities in January 2011 in implementing the Company's data center strategy, while retaining his position as Chief Financial Officer until August 5, 2011 when he became President of CyrusOne Inc. Mr. Freyberger received a 27% increase in salary commensurate with his assumption of additional responsibilities in becoming the Chief Financial Officer of the Company. Based on competitive market conditions and Mr. Torbeck's professional experience, the Compensation Committee determined at the time of the Company's employment offer to Mr. Torbeck that it had to offer Mr. Torbeck a base salary higher than the market median to secure his employment.

Annual Incentives

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

The Company used the following goals in 2011:

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

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

For 2011, the Compensation Committee generally allocated the annual incentive targets as follows:

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

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

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

| Percentage of Criterion Achieved | Adjusted EBITDA Goal | | Revenue Goal | |
|-------------------------------------|---|--|---|--|
| | Percentage of Target Incentive Goal | Percentage of Total Annual Incentive Paid | Percentage of Target Incentive Goal | Percentage of Total Annual Incentive Paid |
| Below 95% | 0% | 0% | 0% | 0% |
| 95% | 50 | % 35 | % 50 | % 5 |
| 100% | 100 | % 70 | % 100 | % |