

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1997

OR

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-8519

CINCINNATI BELL INC.

An Ohio
Corporation

I.R.S. Employer
No. 31-1056105

201 East Fourth Street, Cincinnati, Ohio 45202
Telephone Number 513 397-9900

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

Title of each class -----	Name of each exchange on which registered -----
Common Shares (par value \$1.00 per share)	New York Stock Exchange Cincinnati Stock Exchange

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

At February 27, 1998, there were 136,420,671 common shares outstanding.

At February 27, 1998, the aggregate market value of the voting shares owned by non-affiliates was \$4,881,216,544.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No
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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

DOCUMENTS INCORPORATED BY REFERENCE

(1) Portions of the registrant's annual report to security holders for the fiscal year ended December 31, 1997 (Parts I, II and IV)

(2) Portions of the registrant's definitive proxy statement dated March 12, 1998 issued in connection with the annual meeting of shareholders (Part III)

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See page 18 for "Executive Officers of the Registrant".

PART I

ITEM I. BUSINESS

GENERAL

The Company is a diversified telecommunications company with principal businesses in three industry segments. The information systems segment, Cincinnati Bell Information Systems Inc. ("CBIS"), provides and manages customer-care and billing solutions for the communications and cable TV industries. The teleservices segment, MATRIX Marketing Inc. ("MATRIX"), provides a full range of outsourced marketing solutions to large corporations. The communications services segment, consisting of Cincinnati Bell Telephone Company ("CBT"), Cincinnati Bell Long Distance Inc. ("CBLD"), Cincinnati Bell Directory Inc. ("CBD"), Cincinnati Bell Supply Company ("CBS") and Cincinnati Bell Wireless Company ("CBW"), provides local telephone exchange services and products in Greater Cincinnati, long distance services, yellow pages and directory services, and telecommunications equipment. CBW was formed during the fourth quarter of 1997 for the purpose of providing customers in the Greater Cincinnati and Dayton markets advanced digital personal communications services ("PCS"), voice, paging, e-mail messaging, other features and associated products.

The Company is incorporated under the laws of Ohio and has its principal executive offices at 201 East Fourth Street, Cincinnati, Ohio 45202 (telephone number (513) 397-9900).

STRATEGY

The three principal businesses and other interests of the Company are the products of a focused strategy first initiated in 1983 to expand from a local exchange telecommunications company into a broader, more diversified company providing value-added customer-care services in high growth and converging communications markets. By leveraging the combined knowledge, capabilities and experience of its principal subsidiaries, the Company seeks to take advantage of the opportunities arising from the growing communications market and from the growing trend to outsource information services and teleservices.

Each of CBIS, MATRIXX and CBT has growth strategies in its respective markets. CBIS's strategy is to utilize the scale of its data processing operations and its extensive industry knowledge and experience to be the leading provider of customer-care and billing services and network provisioning and management systems to the growing communications and cable/broadband industries. MATRIXX's strategy is to develop long-term strategic outsourcing relationships for customer management services in support of large clients in the telecommunications, technology, financial services, consumer products and direct response industries. CBT's strategy is to be the leading full-service provider of communications services and products in Greater Cincinnati by leveraging off its well-regarded brand name, excellent service record and tradition of quality to market bundled communications, information, data and entertainment services.

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INFORMATION SYSTEMS

Cincinnati Bell Information Systems Inc.

GENERAL

CBIS was formed in 1983 to leverage the Company's knowledge and expertise in data processing and billing for the telecommunications industry. CBIS provides data processing services and software systems that generate billing information and manage customer information for communications services businesses. CBIS's customers are primarily large corporations in the U.S. communications industry. CBIS accounted for approximately 30% of the Company's 1997 consolidated revenues and 34% of its total operating income excluding special items.

CBIS is the leading provider of billing and customer-care services to the wireless telecommunications market in North America, which includes cellular and "PCS" businesses. Recently, subscriber growth in the domestic wireless industry has averaged about 25% per year. CBIS's billing systems serve many of the top wireless carriers. They generate bills for wireless telephone customers in each of the top 50 U.S. metropolitan areas. CBIS's service bureaus generated billing information for monthly customer statements for approximately 30% of U.S. wireless subscribers in 1997. CBIS's revenue from wireless clients increased from \$144 million in 1993 to \$366 million in 1997.

CBIS also provides billing and customer-care services to companies that operate traditional wireline telecommunications networks, including CBT. It develops network management systems for communications companies and customer-care and billing systems for cable television systems operators in the U.S. and Europe. CBIS's systems also support the provision of telephone services by cable television system operators in the U.S. and in Europe. CBIS offers service bureau billing services to the cable television industry.

During 1997, CBIS entered into a strategic relationship with Wiztec Solutions Ltd. ("Wiztec") (which included acquiring a minority ownership interest in, and the option to acquire a majority ownership interest in, Wiztec), which added billing capabilities for CBIS in the global and direct broadcast satellite marketplaces. In addition, CBIS entered into another strategic relationship to add billing capabilities for consolidated Internet services.

CBIS's headquarters are in Cincinnati, Ohio. It has major operations in Ohio, Florida, Illinois, Georgia and Virginia. It also has operations in the United Kingdom, Switzerland and The Netherlands.

BUSINESS

CBIS serves clients principally by processing data and creating bills using proprietary software. CBIS provides and manages billing systems in service bureaus where its experience results in significant cost and service advantages for clients. These advantages include predictable costs, information management expertise, access to advanced technology without capital expense, and reliance on a provider focused on billing.

CBIS's data processing services are carried out in its data centers in Cincinnati and Orlando. It uses information from communications service providers to calculate and generate bills for the usage of communications services, generally on a monthly cycle. CBIS strives to provide state-of-the-art systems and facilities that provide reliability and responsiveness. CBIS's systems select the correct plan for each customer from the thousands of pricing plans provided by its clients. These systems generate information for more than 16 million bills per month, including approximately 700,000 bills generated for CBT. CBIS's computers process over 465 million transactions, including transactions for CBT, per month. CBIS's revenue from this business is determined in large part by the number of bills it produces and the number of accounts it manages.

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In the wireless industry, pricing plans are complex and change frequently. Customers of CBIS's clients frequently change service plans and service providers. Additionally, companies in the wireless industry are growing rapidly. CBIS's ability to manage this change and growth successfully is an important factor in its success.

CBIS also updates pricing plans and customer records for its clients and makes customer information available to clients on-line, helping these clients better manage their relationships with their telecommunications customers. CBIS typically is compensated at an hourly rate for these and other consulting services.

Most of CBIS's services are provided under contracts for terms of two to ten years, certain of which may be terminated at specified times on prior written notice. CBIS's three largest clients, other than CBT, are AT&T, 360(cents) Communications and Ameritech Corporation which collectively accounted for approximately 62% of CBIS's 1997 revenues. Several multi-year contracts cover essentially all of CBIS's relationships with AT&T businesses, including its contract with AT&T Wireless and CMT Partners for the provision of wireless customer-care and billing services through 2001. In 1997, CBIS signed a contract extension with CBT to extend its contract until 2006. Another client (whom the Company had earlier reported might terminate its relationship with CBIS), representing approximately 7% of CBIS's 1997 revenues, committed to renew the relationship through August 2004. Other CBIS customers include selected cable television systems owned by Time Warner Inc. and Cox Communications, Inc., and the public telecommunications services providers in Switzerland and The Netherlands. Some clients have purchased CBIS software to operate in their own data centers. CBIS recently introduced service bureau billing as an option for its cable television clients. CBIS may renegotiate one or more major contracts in 1998 exchanging lower prices for longer contract terms and a broader relationship. The negotiations could negatively impact future results.

CBIS's systems development and support are dependent on its ability to attract and retain its professional staff. There can be no assurance that CBIS's labor costs will not increase in the future.

MARKETS

The wireless industry's subscriber base exceeded 53 million at the end of 1997. At the end of 1997, CBIS's data centers generated billing information for more than 16 million monthly customer statements for wireless subscribers. Billing and customer-care for wireless and wireless-related telecommunications services in North America accounted for more than 66% of CBIS's 1997 total revenue.

A significant amount of CBIS' growth is directly related to increased wireless subscribers in the United States. As the installed base of wireless

customers becomes larger, growth rates should decrease. Additionally, certain international network management system development projects are nearing completion causing a need for new sources of revenues to achieve growth.

COMPETITION

Competition in the information services market is based primarily on product quality, performance, price and the quality of client service. CBIS's competitors include firms as large and larger than CBIS as well as potential competitors from other markets similar to those served by CBIS. Major competitors of CBIS include Alltel Corporation, American Management Systems Inc., Andersen Consulting Group, Saville Systems, Inc., LHS, Inc. and ITDS, Inc. Niche providers or new entrants could capture a segment of the information services market by developing new systems or services that could impact CBIS's market potential. CBIS's clients and potential clients are generally large companies with substantial resources and the capability to provide needed services for themselves rather than outsourcing such services. Faced

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with increasing competition, there can be no assurance that CBIS can grow at the same rate as in the past.

CBIS believes that it provides superior service because of its knowledge of the communications industry, its technology, its information systems capabilities and resources, and its attention to client needs. As communications customer care and billing becomes more complex, communications providers are increasingly considering customer billing services as an opportunity to differentiate themselves from competitive service providers. CBIS believes that its ability to maintain a leadership position in the technological development of billing systems will be critical to providing its clients with competitively priced, high-quality services.

YEAR 2000

CBIS will incur a substantial amount of Year-2000 programming costs because it is reliant on information systems software and equipment. These costs will likely be in the range of \$15 million to \$20 million in 1998, and are expected to be lower in 1999. The demand for programming resources to address the Year 2000 issue worldwide could constrain CBIS's ability to hire and retain the required resources and lead to increased labor costs for programming talent. CBIS believes that its ability to maintain a leadership position in the technological development of billing systems will be critical to its future.

OPPORTUNITIES

Increased competition in the communications industry should increase the opportunities for CBIS. One such opportunity, PCS, uses digital technologies to increase the range of features, service quality and operating efficiency of mobile communications services.

CBIS has contracts to provide customer-care and billing services to three of the largest potential providers of PCS services in the United States based on both issued and projected license awards. PrimeCo Personal Communications L.P. ("PrimeCo"), a wireless partnership among AirTouch, Bell Atlantic Corporation and U S West Media Group, has an agreement with CBIS for CBIS to be its exclusive customer-care and billing solutions provider. PrimeCo owns PCS licenses covering approximately 57 million net POPs (potential customers adjusted for equity ownership) and is ranked as the third largest owner of PCS A and B block licenses. CBIS has an exclusive customer-care and billing contract with Sprint PCS, a wireless partnership among Sprint Corporation, Tele-Communications, Inc., Comcast Cellular and Cox Communications, Inc. Sprint PCS owns PCS licenses covering approximately 195 million net POPs and is the largest owner of PCS A and B block licenses. Additionally, CBIS has an agreement with AT&T to provide customer-care and billing services to AT&T for PCS services. AT&T Wireless owns PCS licenses covering approximately 114 million net POPs and is the second largest owner of PCS A and B block licenses.

TELESERVICES

MATRIX Marketing Inc.

GENERAL

During the fourth quarter of 1997, MATRIX announced agreements to acquire AT&T's teleservices unit, AT&T Solutions Customer Care ("Transtech"), and the teleservices assets of Maritz, Inc. With the consummation of these acquisitions in the first quarter of 1998, MATRIX became the teleservices industry leader. MATRIX provides a full range of customer service, sales support, help desk and teleservices solutions to major companies in its targeted industries. In 1997, MATRIX accounted for

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approximately 24% of the Company's consolidated revenue and 14% of total operating income excluding special items.

MATRIX principally focuses on developing long-term, strategic outsourcing relationships with large clients in the communications, technology, financial services, consumer products and direct response industries. MATRIX focuses on clients in these industries because of the complexity of the services required, the anticipated growth of their businesses and their continuing need for customer service support. Often, the level of support these companies require and the close relationships they build with MATRIX lead to higher returns versus short-term campaign programs. For example, MATRIX has a team of sales account managers who are the dedicated sales channel to a consumer products company's retail and wholesale accounts. MATRIX's team manages the company's day-to-day relationships with those accounts. This extension of the company's sales organization allows for more frequent customer contact at a lower cost. The dedicated team also assists the company in its marketing efforts through database management, product movement reports and market trends analysis.

Many MATRIX employees who answer inbound customer service calls are dedicated to serving a single client. Employees supporting DIRECTV-Registered Trademark- satellite entertainment services, for example, answer calls to initiate service or to provide information about programming options, billing and technical aspects of the service, including installing customers' own satellite dishes. For other clients, MATRIX provides technical help-desk support for computer products and services, and responds to customer inquiries submitted via the Internet.

During the second half of 1997, the traditional market sector experienced softness. As a result, to enhance services to its clients, improve productivity, and better position itself for further growth, MATRIX announced a restructuring plan in the fourth quarter and recorded a restructuring charge of \$35 million. The changes from the restructuring plan are expected to contribute \$10 million in annual savings when fully implemented.

During 1997 MATRIX opened three new call centers and announced the plan to restructure its operations to achieve increased productivity in customer focus. With the acquisition of Transtech and Maritz, MATRIX operates 32 North American and 2 international call centers with over 14,000 available production workstations and approximately 25,000 customer-care representatives, including full-time and part-time employees and contract workers.

MATRIX is headquartered in Cincinnati. It operates domestic call centers in Ohio, Utah, Colorado, Arizona, Wisconsin, Nebraska, Oklahoma, Missouri, Florida, California, Tennessee, North Carolina and Texas and international call centers in Paris, France, Newcastle, England, and Winnipeg, Canada.

RECENT DEVELOPMENTS

On January 8, 1998, MATRIX acquired the teleservices assets of Maritz Inc. which had revenues of approximately \$50 million in 1997. The acquisition is expected to increase MATRIX's revenues in 1998 and have an immaterial impact on earnings.

On March 3, 1998, MATRIX acquired Transtech for approximately \$625

million. The acquisition will initially be financed through short-term debt. The acquired operations had revenues of approximately \$400 million in 1997. The acquisition and related financing is expected to have a dilutive effect on 1998 earnings and will further increase MATRIXX's concentration of revenues from its three largest clients. The acquisition will nearly double the size of MATRIXX, making it the world's largest provider of outsourced teleservices. A successful integration of Transtech's operations with those of MATRIXX is important for the Company to achieve its business objectives.

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BUSINESS

MATRIXX provides two categories of teleservices. Traditional services offers shared capacities for large sales campaigns and major direct response programs. Outsourced dedicated services require dedicated agents to handle a specific company's more complex needs for customer service, technical help-desk support and sales account management. Other outsourced services are interactive voice response, Internet E-mail response, research and database management. Based on 1997 revenues, approximately 75% of MATRIXX's business involved responding to inbound calls. MATRIXX considers its industry focus and differentiation of service offerings to be its competitive strengths.

Dedicated customer-care representative teams and call centers support large teleservices programs for clients. Many of these centers are linked to provide optimal call routing, capacity matching and redundancy in order to best meet the needs of the client. MATRIXX has advanced information systems, including proprietary software, and integrated telephone systems to effectively meet client expectations. MATRIXX customer-care representatives receive initial training and on-the-job support to develop calling skills and knowledge of clients' products and services. MATRIXX's services are very labor intensive. Service quality depends in part on its ability to minimize personnel turnover. MATRIXX also competes for qualified personnel with other employers in their geographic markets. There can be no assurance that MATRIXX will be able to hire and retain a sufficient number of qualified personnel in a cost-efficient manner to support continued growth and maintain profitability.

MATRIXX's client base primarily includes large companies in the telecommunications, technology, financial services, consumer products and direct response industries. MATRIXX's largest customers in 1997 were DIRECTV-Registered Trademark-, AT&T and American Express Company, which collectively accounted for approximately 36% of 1997 revenues.

MARKET

Teleservices include consumer and business telephone-based customer service and sales programs. Historically, companies maintained such customer-care functions in-house because they believed that a direct relationship with the customer was good business policy and because there were few outsourcing alternatives. As the size and complexity of these functions have grown, increasing numbers of companies have chosen to outsource some or all of these activities in order to focus on their core businesses, reduce costs and improve operational efficiency. Teleservices companies such as MATRIXX often can provide these services with higher quality and less cost, creating a competitive advantage for MATRIXX's clients. In addition, teleservices companies often can provide a client with current, detailed information about its customers and their purchasing decisions.

The market for outsourced teleservices, including automated services, is approximately \$6 billion. In addition, industry sources estimate that a considerably larger volume of teleservices was managed and operated internally, through dedicated in-house call centers. MATRIXX believes that corporations will outsource an increasingly larger percentage of such teleservices, further fueling the growth of the outsourced market.

The principal drivers of MATRIXX's overall market growth are expected to be the increasing use of targeted marketing strategies by companies, the effectiveness of programs that involve frequent one-on-one contact as a means of enhancing customer loyalty and the lower cost of sales and marketing over the phone compared to other customer service methods. Additionally, as

companies seek to achieve greater strategic focus and operating efficiency, a greater percentage are expected to seek to outsource telephone-based customer-care services and sales coverage programs. The Company believes that MATRIXX is well-positioned to capture significant amounts of this business because its marketing expertise and technological resources enable it to deal with increasingly complex customer interactions.

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COMPETITION

The teleservices industry in which MATRIXX competes is extremely competitive and highly fragmented. MATRIXX competes with the in-house teleservices operations of its current and potential clients, other large teleservices companies such as APAC Teleservices, Inc., ITI Marketing Services Inc., Precision Response Corporation, SITEL Corporation, TeleTech Holdings, Inc., West Teleservices Corporation and numerous smaller companies. MATRIXX also competes with alternative marketing media such as television, radio and direct mail advertising. MATRIXX differentiates itself from competitors based on its size and scale, selective industry and client focus, financial and technical resources and business reputation.

MATRIXX believes that the principal competitive factors in the teleservices industry are service quality, sales and marketing skills, price, technological expertise and customized solutions. The competitive marketplace could begin to place pressure on MATRIXX's ability to achieve its goals. There can be no assurance that MATRIXX will be able to achieve the growth and financial results that it has had in the past several years.

REGULATION

Various federal and state legislative initiatives have been enacted to regulate outbound teleservices, especially calls to consumers. Since MATRIXX concentrates on inbound service and outbound business-to-business teleservices, MATRIXX does not believe that such legislation adversely affects its business presently. However, there can be no assurance that future legislation will not restrict MATRIXX's ability to conduct its business.

YEAR 2000

MATRIXX has begun to incur costs in response to the Year 2000 issue. These costs are expected to be in a range of \$12 to \$18 million in 1998, including approximately \$8 to \$10 million for Transtech. MATRIXX's Year 2000 costs are expected to be lower in 1999.

OPPORTUNITIES

MATRIXX believes that the growth of teleservices as a communications medium and the trend to outsource customer service, technical help-desk and sales coverage programs offer significant opportunities to grow its business. Companies now realize that they can improve customer service and increase sales while reducing costs. In addition, MATRIXX has developed services for other subsidiaries of the Company that it can market to other clients. For example, MATRIXX and CBT worked together to develop MATRIXX's help desk support service for CBT's FUSE-Registered Trademark- Internet access service, a support service MATRIXX is offering to other third-party clients. CBIS is also collaborating with MATRIXX to provide data processing services and enhanced customer management software as well as jointly offering end-to-end value-added solutions to communications providers.

MATRIXX believes that its expertise in the telecommunications, technology, financial service, consumer products and direct response industries are a competitive advantage for developing relationships with large corporations in those industries. In addition, MATRIXX believes its scale and expertise in inbound calling provide it with an advantage in winning new business from companies currently relying on in-house telephone marketing service operations.

MATRIXX will actively seek out opportunities to expand its product offerings and client base through internal development and strategic acquisitions.

COMMUNICATIONS SERVICES

Cincinnati Bell Telephone Company

GENERAL

CBT was founded as The City and Suburban Telegraph Association in 1873, three years before the invention of the telephone. In 1878, CBT became the first telephonic exchange in Ohio and the tenth in the nation.

CBT provides telecommunications services and products, mainly local service, network access and toll telephone services, to business and residential customers in most of the Cincinnati metropolitan area, including principally four counties of southwestern Ohio, principally six counties in northern Kentucky and parts of two counties in southeastern Indiana. Approximately 82% of intrastate revenues are derived from Ohio sources, 18% from Kentucky and minor amounts from Indiana. The Cincinnati Bell Telephone brand name is well-known among CBT's customers. CBT bundles a broad and increasing range of communications-related products and services under that name. In 1997, CBT provided 37% of the Company's revenue and 39% of its operating income excluding special items.

CBT's service record is among the best in the industry. Based on reports to the Federal Communications Commission ("FCC"), CBT receives fewer customer reports of service trouble per line than do nearly all other large U.S. telecommunications companies. In 1997 CBT averaged only 1.18 trouble reports per 100 customer lines per month. In 1996 (latest information available) comparable RBOC rates ranged from 1.22 to 2.74, and the rate for selected independent telephone companies ranged from 1.91 to 3.19. In the face of increased access line growth, CBT has an exceptional record for keeping installation appointments and for completing new service orders within five days.

Since the beginning of 1990, CBT has invested more than \$885 million to upgrade its plant and equipment with modern technology. Of its network access lines, 97% are served by digital switches, 100% have ISDN capability and 100% have Signaling System 7 capability, which supports enhanced features such as Caller ID, Call Trace and Call Return.

RECENT DEVELOPMENTS

On February 2, 1998, the Company announced that it had reached a multi-year renewal of agreements between CBT and AT&T under which the companies provide services to each other. Revenues from the new agreements are expected to be less than 5% of the segment's annual revenues.

On March 19, 1998, CBT reached a settlement of its Ohio alternative regulation case. The Public Utilities Commission of Ohio (the "PUCO") must approve the settlement before it is effective. For details regarding the settlement, see "Cincinnati Bell Telephone Company - Regulation - Ohio."

BUSINESS

On December 31, 1997, CBT had approximately 1,005,000 network access lines in service, an increase of 4.9% or 47,000 lines from December 31, 1996. Approximately 68% of CBT's network access lines serve residential customers and 32% serve business customers. The growth in additional access lines to residential customers has been particularly strong at CBT over the last several years. These customers are adding lines for Internet access, home offices and increased voice communications use. In 1997, additional lines accounted for more than 56% of residential lines added during the year. As of December 31, 1997, approximately 11% of CBT's residential customers had additional access lines. CBT expects strong growth in additional lines to continue.

Approximately 97% of CBT's network access lines are served by digital switches that facilitate the transmission of voice, video and data content

across CBT's network. CBT has approximately 1,500 miles of fiber optic cable throughout the network. This fiber cable provides SONET self-healing optical rings to eight business districts and 17 customer-specific applications, connections between switching offices, and local loop facilities.

CBT provides voice, data and video transmission, custom calling services, public telephone services and billing services. CBT is bundling various of its services to provide customers with a packaged solution to their communication needs. In addition, CBT is a sales agent for certain products and services of AT&T, Lucent Technologies and other companies as a full-service provider of communications products and services to business customers. CBT sells and installs direct broadcast satellite ("DBS") services and equipment under an agreement with DIRECTV-Registered Trademark-, United States Satellite Broadcasting Co. and certain DBS equipment vendors, and was one of the first local exchange telephone companies in the nation to introduce an Internet access service for its residential and small business customers. During 1997 CBT significantly grew its FUSE Internet access service to become the largest Internet access provider in the Cincinnati market. CBT has introduced high-capacity local area network interconnection services and ISDN services. CBT is also expanding its presence in the data network solutions arena, offering project management, installation, maintenance, monitoring and Internet/intranet solutions to its customers. CBT is presently performing market trials on digital subscriber line technology, which holds the promise of high-speed data communications. These new services demonstrate CBT's ability to innovate and adapt to emerging trends in telecommunications.

Local services generated approximately 58% of CBT's revenues in 1997. The increasingly competitive network access and toll services generated 29% of CBT's 1997 revenues, a smaller percentage than most of the nation's largest local exchange telephone companies receive. The remainder of CBT's revenues come from other communications services, including commissioned sales, maintenance and repair services as well as billing services.

MARKET

CBT serves a 2,400 square-mile market encompassing most of the Greater Cincinnati area, which had a total population of approximately 1.5 million in 1990, including 656,000 households. Its regional economy is strong and diverse, including six locally headquartered Fortune 500 companies.

Several companies compete or are planning to compete with CBT through the provision of local exchange, intraLATA long-distance, enhanced calling such as voice messaging, customer premises maintenance and repair, wireless communications, special access, public telephone and business communications equipment sales and maintenance services. See "Competition."

REGULATION

CBT's local exchange, network access and toll telephone operations are regulated by the PUCO, the Public Service Commission of Kentucky ("PSCK") and the FCC with respect to rates, services and other matters.

Recently enacted and future legislative and regulatory initiatives will have an impact on CBT and other incumbent local exchange carriers ("LECs"), including the Regional Bell Operating Companies ("RBOCs") and other independent telephone companies. The extent of that impact will not be known until the initiatives are fully implemented. The basic thrust of these initiatives is to encourage and accelerate the development of competition in the telecommunications industry by removing legal barriers to competition across major segments of that industry. Under the initiatives, companies that were limited to one or more of those segments, including local exchange, long distance, wireless, cable television and information services, can enter the other segments to compete with the incumbent providers and other new entrants.

FEDERAL - CBT's operations are greatly impacted by the Telecommunications Act of 1996 (the "Act") and rules and regulations thereunder. The Act requires incumbent LECs, such as CBT, to interconnect with the networks of other service providers, unbundle certain network elements and make retail telecommunications services available to competing providers at wholesale rates. Beginning in 1996, the FCC adopted orders implementing the Act's

provisions to open local exchange service markets to competition.

On August 8, 1996, the FCC issued its order on interconnection, the first of three significant rulings that will determine the ground rules for local exchange competition. CBT and several other incumbent LECs sought review of this order by the United States Court of Appeals on the grounds that the order is inconsistent with the requirements of the Act. On July 18, 1997, the Court of Appeals issued its decision on this matter stating that the FCC rules exceeded the FCC's authority under the Act in several areas. Among other things, the Court rejected the FCC pricing guidelines and the "pick and choose" rule which would have allowed new entrants to select the most favorable provisions of interconnection arrangements. The Court did affirm the obligation of incumbent LECs to let rival companies use their electronic ordering systems and various elements of their network. On October 14, 1997, the Court issued an order that vacated the portion of the FCC's interconnection rules that required incumbent LECs to combine unbundled network elements for interconnectors. With the Court of Appeals decision, which has been appealed by the FCC to the U. S. Supreme Court which has granted certiorari, these issues on interconnection and pricing presently fall into the state jurisdiction, the effects of which on CBT cannot yet be determined.

On May 7, 1997, the FCC adopted orders on access charge reform and a new universal service program. The access charge reform order generally removed from minute-of-use access rates, costs that are not incurred on a per-minute-of-use basis. The order also adopted changes to the interstate rate structure for transport services which are designed to move the charges for these services to more cost-based levels. The universal service order reformed the existing system of universal service in a manner that will permit local telephone markets to move to a competitive arena. The order provides continued support to low-income consumers and will help to connect eligible schools, libraries and rural health care providers to the global telecommunications network. Several parties have filed cases with the Court on various issues within these two orders. Given the ongoing regulatory and judicial developments in these areas, it is not yet possible to determine the impact of the Act and related FCC regulations on CBT operations.

Effective July 1, 1997, CBT's price cap tariff filing was approved by the FCC without suspension. This means CBT's interstate access and toll prices will be regulated, rather than its earnings. Prices will be capped or indexed annually based on the difference of inflation, as measured by the GDP-PI, a 6.5% productivity offset and exogenous cost adjustments. The FCC retained provisions that allow carriers earning less than a 10.25% rate of return to adjust their indices to reflect the 10.25% level. The election of price caps will better enable CBT to meet the challenges being faced in the new competitive environment. CBT and Citizens Utilities have filed petitions for reconsideration with the FCC to revisit the establishment of the 6.5% productivity offset. In addition, several appeals have been filed with the U.S. Court of Appeals regarding the order establishing the 6.5% productivity offset. At this time, the impact of the petition for reconsideration and the appeals cannot be determined.

OHIO - Beginning in 1997, CBT has begun to see competition under the PUCO's local service guidelines. The ultimate impact of the increased competition will depend upon court rulings and the results of CBT's alternative regulation proceeding. A number of entities have requested interconnection arrangements with CBT to date. CBT has negotiated interconnection arrangements with five wireless carriers (Airtouch, Ameritech Cellular, GTE Wireless, AT&T Wireless, and Nextel Wireless). On August 7, 1997, CBT filed a two year interconnection agreement with Time Warner Communications with the PUCO. Two additional negotiated agreements (with Intermedia Communications and TCG of Ohio) were completed and filed with the PUCO in the fourth quarter of 1997. The agreements set terms by which these companies will

connect to CBT's network, including how calls will be exchanged and how each company will be compensated.

In August 1997, the PUCO issued decisions in arbitration cases involving CBT and MCI and IntelCom Group (ICG). These rulings set terms, prices and conditions for connection with CBT's network. Revised interconnection agreements between CBT and these companies have been filed, and both

companies are proceeding with plans to offer local service in Ohio. MCI's agreement includes terms for MCI to resell CBT's communications services, as well as for MCI to be a facilities-based competitor.

On February 5, 1997, CBT filed an application with the PUCO seeking approval of a new alternative regulation plan called "Commitment 2000" to supersede an existing plan which expired in May 1997. On March 19, 1998, CBT reached a settlement of this case. The settlement was finalized in negotiations with the PUCO staff, the Office of Consumers Counsel and parties involved in CBT's Commitment 2000 proceedings. The settlement must be approved by the PUCO before it is effective.

Under the terms of the settlement, CBT will: (i) maintain basic residential service rates until July 2001; (ii) set business rates based on market conditions; (iii) continue to provide telecommunications services for resale to competitive local service providers in Ohio; (iv) reduce residential rates for qualified, low-income customers by approximately 30%; (v) provide a larger toll-free calling area; and (vi) include Touch-Tone as part of all customers' basic telephone service.

Under the settlement, rates that business customers pay will decline by \$4 million. The exact amount of the decrease will depend on the number of additional features that each business has activated with rates for customers with basic line and trunk access to CBT's network decreasing an average of 3.5% for business customers.

Access charges, the amount paid by long distance companies to use CBT's network, also would decrease under terms of the settlement by \$8 million during the next nine months. Approximately \$4.2 million of the rate reduction will occur upon implementation of the plan with the remainder occurring on January 1, 1999. Under terms of the agreement, AT&T and MCI would be required to pass through their portion of the access charge savings in the form of lower long distance rates.

The settlement also transitions CBT to a more flexible form of regulation. In particular, the settlement means that CBT would no longer be constrained by rate-of-return or earnings-monitored regulation. It does not include productivity offsets and provides for reasonable service-quality requirements. The resale of CBT's services in Ohio would continue at current Ohio discount rates of 11.92% or 12.62%, depending on whether the reseller provides its own directory and operator services.

KENTUCKY - On May 9, 1997, CBT filed a petition with PSCK for suspension and modification of certain requirements of local competition mandated by the FCC. The PSCK opened a proceeding to address CBT's request and set the matter for hearing in October 1997. On September 30, 1997, CBT filed to withdraw its petition due to a delay by the PUCO to a similar request on the Company's Commitment 2000 Plan. CBT may refile its request with the PSCK after a decision is rendered in Ohio.

CBT has received a notice from the PSCK that a management audit will be conducted beginning in the first quarter of 1998. The PSCK is required to periodically conduct management audits of the largest regulated entities under its jurisdiction.

COMPETITION

Evolving technology, the preferences of consumers and policy makers, and the convergence of other industries with the telecommunications industry are causes for increasing competition throughout the telecommunications industry. The range of communications services, the equipment available to provide and access such services and the number of competitors offering such services continue to increase. That

increase expands the means by which CBT's network may be bypassed. Furthermore, recently enacted legislative and regulatory initiatives and additional regulatory developments that are expected in the near future are likely to encourage and accelerate the development of competition in all segments of the telecommunications industry by removing legal barriers to competition across segments of that industry. These initiatives and

developments could make it more difficult for CBT to maintain current revenue and profit levels.

Local exchange telecommunications competitors will include other major local exchange telecommunications companies, wireless services providers, interexchange carriers, competitive local exchange carriers and others.

As a result of the changes in CBT's competitive and regulatory environment, the Company discontinued the application of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation," at CBT. The result of this discontinuance was the recognition of a \$210.0 million after-tax charge.

REGULATED MANDATED COSTS AND YEAR 2000

CBT will continue to incur significant expenses in 1998 in preparation for regulator mandated interconnection and local number portability. In 1998, total mandated costs could be in a range of \$15 to \$25 million with the majority of these costs expected to be incurred in the first half of the year. Additionally, CBT's Year-2000 programming costs are expected to be in the range of \$10 to \$15 million in 1998 but should be less in 1999.

OPPORTUNITIES

CBT plans to develop new products and services and market them in ways that leverage its well-regarded brand name, large installed customer base, reputation for service quality, communications industry knowledge and experience and extensive knowledge of its customers' preferences. CBT also will pursue co-branding opportunities and alliances with other service providers where appropriate. CBT will seek to increase its penetration of additional residential lines within its service area. In addition, CBT is actively working to increase the market penetration rate of higher margin enhanced services such as Caller ID, Call Return, Call Block and 3-Way Calling.

Under the Company's strategy for pursuing opportunities for growth by leveraging the strengths of all of its businesses, and under CBT's own strategy to be a full-service provider of communications services, the Company has unique strengths that could be effective in marketing a broad array of communications services outside of CBT's existing service territory. The Company is exploring such opportunities, both on its own or in partnership with other communications services companies.

OTHER COMMUNICATIONS SERVICES BUSINESSES

Cincinnati Bell Long Distance Inc.

CBLD resells long distance telecommunications services and products as well as voice mail and paging services to residential and business customers mainly in Ohio and several adjoining states. Its principal market focus is small- and medium-sized businesses, particularly businesses with two to twenty business access lines in service. CBLD augments its high-quality long-distance services with calling plans, network features and enhanced calling services to create customized packages of communications services for its clients. CBLD's resale activities are conducted pursuant to the regulatory requirements of state utility commissions. Although no material regulatory developments are pending, any such developments could have an effect on CBLD's resale activities. CBLD has filed with the PUCO an application to provide competitive local exchange services within the State of Ohio.

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Cincinnati Bell Directory Inc.

CBD provides Yellow Pages and other directory products and services as well as related information and advertising services. Its principal products are a White Pages directory and nine Yellow Pages directories. CBD continually evaluates new product offerings in both the print and emerging electronic categories of distribution.

Cincinnati Bell Supply Company

CBS markets computer and telecommunications equipment. Its principal market is the secondary market for used and surplus telecommunications systems, including AT&T-brand systems.

Cincinnati Bell Wireless Company

On February 3, 1998, the Company announced a venture (through its subsidiary CBW) with AT&T to provide PCS in the Greater Cincinnati and Dayton markets. The venture agreement provides that CBW will acquire an 80% interest in the venture for more than \$100 million. The closure of this transaction, which the Company believes will occur sometime in 1998, is dependent upon, among other things, FCC approval of a PCS license transfer from AT&T to the venture. CBW is committed to funding certain start-up operating losses of the venture beginning in February 1998. Accordingly, the Company will reflect CBW's share of the losses in its consolidated financial reporting as incurred. Company management expects these losses to be approximately \$.15 per share in 1998. This expectation is based upon several assumptions including the actual closing of the transaction and market acceptance of the PCS offering and, therefore, actual losses could vary significantly from the Company's expectation.

Other

The Company also owns a 45% limited partnership interest in a cellular telephone service business that covers much of central and southwestern Ohio, northern Kentucky and small portions of southeastern Indiana. The Company's proportionate share of this cellular market represents approximately 2.3 million POPs. See Item 3. "Legal Proceedings".

The Company was the successful bidder for a 10MHz license to offer PCS service in the Greater Cincinnati area in an FCC-sponsored auction. The Company has not yet begun to build out this license. Ameritech, as general partner of a limited partnership offering cellular service in much of central and southeastern Ohio, including Greater Cincinnati, and in which the Company is a 45% limited partner, filed suit in Delaware Chancery Court seeking a declaratory judgment that the Company had withdrawn from the partnership. The Delaware Chancery Court has dismissed the suit, and the plaintiff has appealed to the Supreme Court of Delaware. The carrying value of the Company's investment at December 31, 1997 was \$56.5 million. The rights to future earnings of the partnership, the ability of the Company to realize the market value of its investment and the Company's ability to provide competitive PCS services would be uncertain if the suit were reinstated and decided in favor of the plaintiff general partner.

The Company's other communications services businesses face intense competition in their markets, principally from larger companies. They primarily seek to differentiate themselves by providing existing customers with superior service and by focusing on niche markets and opportunities to develop and market customized packages of services. CBLD's competitors include interexchange carriers and selected local telecommunications services companies. CBD's competitors are directory services companies, newspapers and other media advertising services providers in its region. CBD now competes with its former sales representative for Yellow Page Services; such competition may affect CBD's ability to grow profits and revenues. Supply's competitors include vendors of new and used communications and computer equipment, operating regionally and across the nation.

CAPITAL ADDITIONS

The Company has been making large expenditures for construction of telephone plant and investments in its existing subsidiaries and new businesses. As a result of these expenditures, the Company expects to be able to introduce new products and services, respond to competitive challenges and increase its operating efficiency and productivity.

The following is a summary of capital additions for the years 1993 through 1997:

Dollars in Millions

	Telephone Plant Construction	Investments in Existing Subsidiaries and New Businesses	Total Capital Additions
1997	\$ 141.1	\$ 95.0	\$236.1
1996	\$ 101.4	\$ 119.4	\$220.8
1995	\$ 90.3	\$ 76.5	\$166.8
1994	\$ 112.8	\$ 43.4	\$156.2
1993	\$ 111.6	\$ 123.8	\$235.4

The total investment in telephone plant increased from approximately \$1,409 million at December 31, 1992, to approximately \$1,634 million at December 31, 1997, after giving effect to retirements but before deducting accumulated depreciation at either date.

Capital additions for 1998, excluding acquisitions, are estimated to be up to \$260 million. The acquisitions of Transtech and the teleservice assets of Maritz Inc., along with the investment in a PCS venture, could add in excess of \$750 million to this amount bringing total 1998 capital expenditures to more than \$1 billion. These acquisitions will initially be financed through short-term debt. The Company may issue equity in the future to maintain its desired credit ratings. The estimated amount of capital additions does not include any additional acquisitions that may occur in 1998.

EMPLOYEES

At December 31, 1997, the Company and its subsidiaries had approximately 20,800 employees. CBT and CBIS had approximately 2,400 employees covered under collective bargaining agreements with the Communications Workers of America, which is affiliated with the AFL-CIO. The collective bargaining agreements expire in May 1999 as to CBT and September 1999 as to CBIS.

BUSINESS SEGMENT INFORMATION

The amounts of revenues, operating income, assets, capital additions, depreciation and amortization attributable to each of the business segments of the Company for the year ended December 31, 1997, are set forth in the table relating to business segment information in Note 17 of the Notes to Financial Statements in the Company's annual report to security holders, and such table is incorporated herein by reference.

CAUTIONARY STATEMENTS

The Company wishes to take advantage of the "safe harbor" provisions included in the Private Securities Litigation Reform Act of 1995. To that end, except for certain historical information, the Business sections (Item 1) and Management's Discussion and Analysis of Financial Condition and Results of Operations (Item 7) contain forward-looking statements, including statements concerning regulatory and competitive factors, the development and introduction of new products and services and the development

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of customer strategies to improve the Company's financial position and results of operations. These statements involve a number of risks and uncertainties. The Company cautions readers that any forward-looking statements made by the Company herein and in future reports and statements are not guarantees of future performance and that actual results may differ materially from those in forward-looking statements as a result of various factors including, but not limited to, the following factors set forth below.

REGULATORY AND COMPETITIVE TRENDS REGARDING TELEPHONE OPERATIONS

For a discussion of this factor, see "Business-Communications Services - Cincinnati Bell Telephone Company - Regulation."

CUSTOMER CONCENTRATION

MATRIX, CBIS and CBT rely on several significant customers for a large percentage of their respective revenues. Their relationships with customers are typically based on written contracts with a set term; however, such contracts may contain provisions that allow a customer at any time to terminate the relationship prior to the end of the contract term. In the case of MATRIX, three customers represented 36% of its 1997 revenues. In the case of CBIS, its three largest customers, other than CBT, collectively represented approximately 62% of its 1997 revenues. Each of the Company's major subsidiaries derives significant revenues from AT&T and its affiliates by providing network services, billing and customer care systems and telephone marketing services. During 1997, revenues from AT&T accounted for 23% of the Company's consolidated revenues under various independent contracts with one or more of its subsidiaries; this percentage will probably increase in 1998 as a result of the Transtech acquisition. Thus, the loss of one or more significant customers could have a material adverse effect on the Company's operating results.

CUSTOMER AND INDUSTRY SUCCESS

The revenues generated by MATRIX and CBIS are dependent on the success of their customers. If their customers are not successful, the amount of business that such customers outsource will be diminished. Several of MATRIX's and CBIS's current customers participate in emerging industries. The extent to which products marketed by such customers (e.g., PCS) will be successful is not yet known. Thus, although CBIS and MATRIX have signed contracts to provide services to such customers, there can be no assurance that the level of revenues to be received from such contracts will meet expectations.

Each of the business segments in which the Company's subsidiaries conduct their business has grown significantly in the last several years. To the extent that growth in these industry segments declines, such decline could adversely affect the growth rate of each subsidiary's business. In addition, the possibility of continued growth in these segments could be affected by the development of new products that provide alternatives to the product offerings of the Company, and by a change in the trend of businesses generally to outsource functions unrelated to their core capabilities.

RAPIDLY CHANGING TECHNOLOGY

The telecommunications industry is subject to rapid and significant changes in technology. The Company's businesses are highly dependent on its computer, telecommunications and software systems. The Company's failure to maintain the superiority of its technological capabilities or to respond effectively to technological changes could have an adverse effect on its business, results of operations or financial condition. The Company's future success also will be highly dependent upon its ability to enhance existing services and introduce new services or products to respond to changing technological developments. There can be no assurance that the Company can successfully develop and bring to market any new services or products in a timely manner, that such services or products will be commercially successful or that competitors' technologies or services will not render the Company's products or services noncompetitive or obsolete.

POTENTIAL VOLATILITY OF STOCK PRICE

The trading price of the Company's common shares is subject to fluctuations in response to the Company's operating profits, announcements of new contract awards or new products by the Company and its subsidiaries or their competitors, general conditions in the market, changes in earnings estimates by analysts, failure to meet the revenues or earnings estimates of analysts or other events or factors. The public stock markets have experienced price and trading volume volatility in recent months. This volatility has significantly affected the market prices of securities of many companies for reasons frequently unrelated to the operating performance of the specific companies. The market price for the common shares has been highly volatile. Future announcements concerning the Company, its subsidiaries or their competition, including the results of technological innovations, new products, government regulations, litigation or public

concern with respect to the Company or its subsidiaries and other factors including those described above, may have a significant impact on the market price of the common shares.

Salomon Inc. has sold 4,000,000 of its 6 1/4% Exchangeable Notes Due February 1, 2001 (the "DECS"). At maturity, the DECS will be mandatorily exchanged by Salomon Inc. into common shares of the Company (or, at Salomon Inc.'s option, cash with equal value) at the rate specified in the prospectus for the offering of the DECS.

It is not possible to predict accurately how or whether any market that develops for the DECS will influence the market for the Company's common shares. For example, the price of the common shares could become more volatile and could be depressed by investors' anticipation of the potential distribution into the market, upon the maturity of the DECS, of the 4,000,000 common shares which may be delivered by Waslic Company II upon the maturity of the DECS (currently constituting approximately 5.9% of the outstanding common shares). The price of the common shares could also be affected by possible sales of common shares by investors who view the DECS as a more attractive means of equity participation in the Company and by hedging or arbitrage trading activity that may develop involving the DECS and the common shares.

The Company has paid consecutive cash dividends on its common shares since 1879. The payment of future dividends will depend upon future earnings, the financial condition of the Company and other factors.

YEAR-2000 PROGRAMMING

The Company incurred \$14.1 million in expenses in 1997 in order to prepare its software and systems for the Year 2000. The estimate for Year-2000 programming costs in 1998 could be in a range up to approximately \$50 million, including approximately \$8 to \$10 million for Transtech, but these costs are expected to be lower in 1999. Some major CBIS applications are expected to be Year-2000 compliant in 1998. If the Company were to be unsuccessful in readying its software and systems for the Year 2000, the effect that this would have on client relationships, particularly in the Information Systems segment, would have a material adverse impact on the Company. The failure of one of the Company's significant clients or suppliers to successfully modify their systems for the Year 2000 could also have an adverse impact on the Company.

BUSINESS DEVELOPMENT

The Company continues to review opportunities for acquisitions and divestitures for all of its business.

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ITEM 2. PROPERTIES

The property of the Company is principally telephone plant which does not lend itself to description by character and location of principal units. Other property of the Company is principally computer equipment, computer software, furniture and fixtures.

The gross investment in telephone plant and other property, in millions of dollars, at December 31, 1997 was as follows:

Telephone Plant

Land, buildings and leasehold improvement	\$196.7
Central office equipment	648.8
Connecting lines (not on customer premises)	660.3
Station equipment	26.8
Furniture, fixtures, vehicles and other	83.8
Telephone plant under construction	17.3

Total telephone plant	1,633.7

Other Property	
Information systems	211.5
Teleservices	129.5
Other	37.1

Total other property	378.1

Total	\$2,011.8

Substantially all of the installations of central office equipment and garages are located in buildings owned by CBT situated on land which it owns. Some CBT business and administrative offices are in rented quarters, some of which are included in capitalized leases.

CBIS, MATRIXX and other Company subsidiaries lease office space in various cities on commercially reasonable terms. Upon the expiration or termination of any such leases, these companies could obtain comparable office space. CBIS also leases some of the computer hardware, computer software and office equipment necessary to conduct its business pursuant to short term leases, some of which are capitalized leases.

ITEM 3. LEGAL PROCEEDINGS

None, except as described below.

In November 1996, the Company's partner in a cellular partnership sued the Company seeking a declaratory judgment that the Company be denied the opportunity to provide PCS services and be required to withdraw from the partnership. After the Company was the successful bidder for a PCS license, the partnership's general partner amended its lawsuit to seek a declaratory judgment that the Company had withdrawn from the partnership. The Company believes that none of its actions conflict with its partnership interest and that it continues to be a limited partner in good standing in the partnership. The Delaware Chancery Court has dismissed the suit, and the plaintiff has appealed to the Supreme Court of Delaware. CINCINNATI SMSA LIMITED PARTNERSHIP V. CINCINNATI BELL CELLULAR SYSTEMS COMPANY, Supreme Court of State of Delaware, Case No. 429, 1997. The carrying value of the Company's investment at December 31, 1997 was \$56.5 million. The rights to future earnings of the partnership, the ability of the Company to realize the market value of its investment and the Company's ability to provide

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competitive PCS services would be uncertain if the suit were reinstated and decided in favor of the plaintiff general partner.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF THE SECURITY HOLDERS

No matter was submitted to a vote of security holders in the fourth quarter of the fiscal year covered by this report.

EXECUTIVE OFFICERS OF THE REGISTRANT (DURING 1997).

The names, ages and positions of the executive officers of the Company are as follows:

Name	Age	Title
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(as of 3/31/98)

Charles S. Mechem, Jr. (a,b)	67	Chairman of the Board
John T. LaMacchia (a,b)	56	President and Chief Executive Officer
James F. Orr (a,b)	52	Chief Operating Officer
William D. Baskett III (c)	58	General Counsel and Secretary
Brian C. Henry	41	Executive Vice President and Chief Financial Officer
Richard G. Ellenberger (d)	45	President and Chief Executive Officer of CBT
Robert J. Marino	50	President and Chief Executive Officer of CBIS
David F. Dougherty	41	President and Chief Executive Officer of MATRIX
William H. Zimmer III (e)	44	Treasurer

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- (a) Member of the Board of Directors
- (b) Member of the Executive Committee
- (c) Secretary since November 1997
- (d) President and Chief Executive Officer of CBT since June 1997
- (e) Secretary until October 31, 1997 and Treasurer until December 23, 1997.

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

CHARLES S. MECHEM, JR., Chairman of the Board of the Company since 1996; Commissioner Emeritus, Ladies Professional Golf Association ("LPGA"); Commissioner of the LPGA, 1991-1995; Chairman of The United States Shoe Corporation, 1993-1995; Director of AGCO, Mead Corporation, Ohio National Life Insurance Company, J.M. Smucker Company, Star Bank Corp. and its subsidiary, Star Bank, N.A.

JOHN T. LAMACCHIA, President and Chief Executive Officer of the Company since 1993; President of the Company since 1988; Chairman of CBT since 1993; Chief Operating Officer of the Company, 1988-1993; Chairman of CBIS, 1988-1996. Director of The Kroger Company and Burlington Resources Inc.

JAMES F. ORR, Chief Operating Officer of the Company and Chairman of CBIS since 1996; Chairman of MATRIX since 1997; Executive Vice President of the Company and President and Chief Executive Officer of CBIS, 1995-1996; Chief Operating Officer of CBIS, 1994; President and Chief Executive Officer of MATRIX 1993-1994.

WILLIAM D. BASKETT III, General Counsel and Chief Legal Officer of the Company since July 1993; Secretary of the Company since November 1997; Partner of Frost & Jacobs 1970-1997.

BRIAN C. HENRY, Executive Vice President and Chief Financial Officer of the Company since 1993; Chief Operating Officer of CBIS since March 1, 1998. Vice President and Chief Financial Officer of Mentor Graphics, 1986-1992.

RICHARD G. ELLENBERGER, President and Chief Executive Officer of CBT since June, 1997; Chief Executive Officer of Xl/Connect, 1996-1997; President, Business Services of MCI Telecommunications, 1995-1996; Senior Vice President, Worldwide Sales of MCI Telecommunications, 1994-1995; Senior Vice President, Branch Operations of MCI Telecommunications, 1993-1994; Vice President, Southeast Region of MCI Telecommunications, 1992-1993; Chief Operating Officer of Entrade Corporation, 1990-1992.

ROBERT J. MARINO, President and Chief Executive Officer of CBIS since September 17, 1996; Chief Operating Officer of CBIS, October 2, 1995 - September 17, 1996; President - Northeast Region of Nextel, November 1993 - September 1995; President of Houston Cellular Telephone Company, November 1990 - October 1993.

DAVID F. DOUGHERTY, President and Chief Executive Officer of MATRIX since January 1, 1995; Senior Vice President and Chief Operating Officer U.S. Operations, 1993-1994; President of the Consumer Division, 1991-1992.

WILLIAM H. ZIMMER III, Secretary until October 31, 1997 and Treasurer of the Company, 1991-1997; Secretary and Assistant Treasurer of the Company, 1988-1991.

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PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SECURITY HOLDER MATTERS.

Cincinnati Bell Inc. (symbol: CSN) common shares are listed on the New York Stock Exchange and on the Cincinnati Stock Exchange. As of February 27, 1998, there were approximately 18,529 holders of record of the 136,420,671 outstanding common shares of the Company. The high and low sales prices and dividends declared per common share each quarter for the last two fiscal years are listed below:

Quarter	1st	2nd	3rd	4th
1997 High	\$ 33 3/4	\$ 33 1/4	\$ 32 1/4	\$ 31 1/8
Low	\$ 28 1/4	\$ 26 1/16	\$ 23 1/16	\$ 25 3/8
Dividend Declared	\$.10	\$.10	\$.10	\$.10
1996 High	\$ 26 1/2	\$ 28 7/8	\$ 26 7/8	\$ 30 13/16
Low	\$ 15 7/8	\$ 23 7/16	\$ 22 11/16	\$ 23 1/8
Dividend Declared	\$.10	\$.10	\$.10	\$.10

ITEMS 6 THROUGH 8.

The Selected Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Financial Statements and Supplementary Data required by these items are included in the registrant's annual report to security holders for the fiscal year ended December 31, 1997, included in Exhibit 13 and are incorporated herein by reference pursuant to General Instruction G(2).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

No disagreements with accountants on any accounting or financial disclosure or auditing scope or procedure occurred during the period covered by this report.

PART III

ITEMS 10 THROUGH 13.

Information regarding executive officers required by Item 401 of Regulation S-K is furnished in a separate disclosure in Part I of this report under the caption "Executive Officers of the Registrant" since the registrant did not furnish such information in its definitive proxy statement prepared in accordance with Schedule 14A.

The other information required by these items is included in the

registrant's definitive proxy statement dated March 12, 1998, in the first paragraph on page 2, the accompanying notes on page 2 and the Section 16 (a) paragraph on page 2, the information under "Election of Directors" on pages 6 and 7, the information under "Share Ownership of Directors and Officers" on page 5, the information under "Executive Compensation" on page 12 through 17. The foregoing is incorporated herein by reference pursuant to General Instruction G(3).

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) Documents filed as part of this report:

	Page

(1) Consolidated Financial Statements:	
Report of Management	*
Report of Independent Accountants	*
Consolidated Statements of Income	*
Consolidated Statements of Common Shareowners' Equity	*
Consolidated Balance Sheets	*
Consolidated Statements of Cash Flows	*
Notes to Financial Statements	*
(2) Financial Statement Schedules:	
Report of Independent Accountants	28
II - Valuation and Qualifying Accounts	29

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

* Incorporated herein by reference to the appropriate portions of the registrant's annual report to security holders for the fiscal year ended December 31, 1997. (See Part II)

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(3) Exhibits

Exhibits identified in parenthesis below, on file with the Securities and Exchange Commission ("SEC"), are incorporated herein by reference as exhibits hereto.

Exhibit
Number
- -----

(3) (a) Amended Articles of Incorporation effective November 9, 1989. (Exhibit (3) (a) to Form 10-K for 1989, File No.

1-8519).

- (3) (b) Amended Regulations of the registrant. (Exhibit 3.2 to Registration Statement No. 2-96054).
- (4) (a) Provisions of the Amended Articles of Incorporation and the Amended Regulations of the registrant which define the rights of holders of Common Shares and the Preferred Shares are incorporated by reference to such Amended Articles filed as Exhibit (3) (a) hereto and such Amended Regulations filed as Exhibit (3) (b) hereto.
- (4) (c) (i) Indenture dated December 15, 1992, between Cincinnati Bell Inc., Issuer, and The Bank of New York, Trustee, in connection with \$100,000,000 of Cincinnati Bell Inc. 6.70% Notes Due December 15, 1997. A copy of this Indenture is not being filed because it is similar in all material respects to the Indenture filed as Exhibit (4) (c) (ii) to Form 10-K for 1992, File No. 1-8519.
- Indenture dated July 1, 1993, between Cincinnati Bell Inc., Issuer, and The Bank of New York, Trustee, in connection with \$50,000,000 of Cincinnati Bell, Inc. 7 1/4% Notes Due June 15, 2023. Exhibit 4-A to Form 8-K, date of report July 12, 1993, File No. 1-8519.
- (4) (c) (ii) Indenture dated August 1, 1962, between Cincinnati Bell Telephone Company and Bank of New York, Trustee (formerly, The Central Trust Company was trustee), in connection with \$20,000,000 of Cincinnati Bell Telephone Company Forty Year 4 3/8% Debentures, Due August 1, 2002. (Exhibit 4(c) (iii) to Form 10-K for 1992, File No. 1-8519).
- Indenture dated August 1, 1971, between Cincinnati Bell Telephone Company and Bank of New York, Trustee (formerly The Fifth Third Bank was trustee), in connection with \$50,000,000 of Cincinnati Bell Telephone Company Forty Year 7 3/8% Debentures, Due August 1, 2011. A copy of this Indenture is not being filed because it is similar in all material respects to the Indenture filed as Exhibit (4) (c) (ii) above.
- (4) (c) (iii) Indenture dated as of October 27, 1993, among Cincinnati Bell Telephone Company, as Issuer, Cincinnati Bell Inc., as Guarantor, and The Bank of New York, as Trustee. (Exhibit 4-A to Form 8-K, date of report October 27, 1993, File No. 1-8519).
- (4) (c) (iv) No other instrument which defines the rights of holders of long term debt of the registrant is filed herewith pursuant to Regulation S-K, Item 601(b) (4) (iii) (A). Pursuant to this regulation, the registrant hereby agrees to furnish a copy of any such instrument to the SEC upon request.

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- (10) (ii) (B) Agreement Establishing Cincinnati SMSA Limited Partnership between Advanced Mobile Phone Service, Inc. and Cincinnati Bell Inc. executed on December 9, 1982. (Exhibit (10) (k) to Registration Statement No. 2-82253).
- (10) (iii) (A) (1) * Short Term Incentive Plan of Cincinnati Bell Inc., as amended January 1, 1995. (Exhibit (10) (iii) (A) (1) (i) to Form 10-K for 1995, File No. 1-8519).
- (10) (iii) (A) (2) (i) * Cincinnati Bell Inc. Deferred Compensation Plan for Non-Employee Directors, as amended July 1, 1983. (Exhibit (10) (iii) (A) (3) to Form 10-K for 1986, File No. 1-8519).

- (10) (iii) (A) (2) (ii) * Cincinnati Bell Inc. Deferred Compensation Plan for Outside Directors, as adopted effective December 31, 1996. (Exhibit (10) (iii) (A) (L) (i) to Form 10-K for 1996, File No. 1-8519).
- (10) (iii) (A) (3) (i) * Cincinnati Bell Inc. Pension Program, as amended effective November 4, 1991. (Exhibit (10) (iii) (A) (4) (ii) to Form 10-K for 1994, File No. 1-8519).
- (10) (iii) (A) (3) (ii) * Cincinnati Bell Pension Program, as amended and restated effective March 3, 1997.
- (10) (iii) (A) (4) * Cincinnati Bell Inc. 1988 Incentive Award Deferral Plan, as amended effective November 11, 1988. (Exhibit (10) (iii) (A) (5) to Form 10-K for 1988, File No. 1-8519).
- (10) (iii) (A) (5) (i) * Cincinnati Bell Inc. Senior Management Incentive Award Deferral Plan, as amended January 1, 1984. (Exhibit (10) (iii) (A) (6) to Form 10-K for 1986, File No. 1-8519).
- (10) (iii) (A) (5) (ii) * Amendment to Cincinnati Bell Senior Management Incentive Award Deferral Plan (effective December 5, 1988). (Exhibit (10) (iii) (A) (6) (ii) to Form 10-K for 1988, File No. 1-8519).
- (10) (iii) (A) (6) * Executive Employment Agreement dated December 1, 1987, between the Company and John T. LaMacchia. (Exhibit (10) (iii) (A) (10) to Form 10-K for 1987, File No. 1-8519).
- (10) (iii) (A) (7) * Employment Agreement dated October 1, 1995, between Cincinnati Bell Information Systems Inc. and Robert J. Marino. (Exhibit (10) (iii) (A) (7) to Form 10-K for 1996, File No. 1-8519).
- (10) (iii) (A) (8) (i) * Employment Agreement dated as of January 1, 1995, between the Company and David F. Dougherty. (Exhibit (10) (iii) (A) (11) to Form 10-K for 1995, File No. 1-8519).
- (10) (iii) (A) (8) (ii) * Amendment to Employment Agreement dated as of January 1, 1995, between the Company and David F. Dougherty. (Exhibit (10) (iii) (A) (12) to Form 10-K for 1995, File No. 1-8519).
- (10) (iii) (A) (9) * Executive Employment Agreement dated as of March 29, 1993, between the Company and Brian C. Henry. (Exhibit (10) (iii) (A) (14) to Form 10-K for 1993, File No. 1-8519).

- (10) (iii) (A) (10) (i) * Employment Agreement dated as of August 19, 1994, between the Company and James F. Orr. (Exhibit (10) (iii) (A) (17) (i) to Form 10-K for 1994, File No. 1-8519).
- (10) (iii) (A) (10) (ii) * Amendment to Employment Agreement dated as of October 31, 1994, between the Company and James F. Orr. (Exhibit (10) (iii) (A) (17) (ii) to Form 10-K for 1994, File No. 1-8519).
- (10) (iii) (A) (11) * Employment Agreement, dated June 9, 1997, between the Company and Richard G. Ellenberger.
- (10) (iii) (A) (12) * Employment Agreement, dated January 1, 1998, between the Company and William D. Baskett III.
- (10) (iii) (A) (13) (i) * Cincinnati Bell Inc. Executive Deferred Compensation Plan. (Exhibit (10) (iii) (A) (17) to Form 10-K for 1993, File No. 1-8519).
- (10) (iii) (A) (13) (ii) * Amendment to Cincinnati Bell Inc. Executive Deferred Compensation Plan effective January 1, 1994. (Exhibit

(10) (iii) (A) (20) (ii) to Form 10-K for 1994, File No. 1-8519).

- (10) (iii) (A) (13) (iii) * Amendment to Cincinnati Bell Inc. Executive Deferred Compensation Plan effective January 1, 1996.
- (10) (iii) (A) (13) (iv) * Cincinnati Bell Inc. Executive Deferred Compensation Plan, as amended and restated effective January 1, 1998.
- (10) (iii) (A) (14) (i) * Cincinnati Bell Inc. 1988 Long Term Incentive Plan. (Exhibit (10) (iii) (A) (12) (i) to Form 10-K for 1988, File No. 1-8519).
- (10) (iii) (A) (14) (ii) * Amendment to Cincinnati Bell Inc. 1988 Long Term Incentive Plan effective December 5, 1988. (Exhibit (10) (iii) (A) (12) (ii) to Form 10-K for 1988, File No. 1-8519).
- (10) (iii) (A) (14) (iii) * Cincinnati Bell Inc. 1997 Long Term Incentive Plan.
- (10) (iii) (A) (15) (i) * Cincinnati Bell Inc. 1988 Stock Option Plan for Non-Employee Directors. (Exhibit (10) (iii) (A) (13) to Form 10-K for 1988, File No. 1-8519).
- (10) (iii) (A) (15) (ii) * Cincinnati Bell Inc. 1997 Stock Option Plan for Non-Employee Directors.
- (10) (iii) (A) (16) * Cincinnati Bell Inc. 1989 Stock Option Plan. (Exhibit (10) (iii) (A) (14) to Form 10-K for 1989, File No. 1-8519).
- (10) (iii) (A) (17) * Cincinnati Bell Inc. Retirement Plan for Outside Directors. (Exhibit (10) (iii) (A) (21) to Form 10-K for 1993, File No. 1-8519).
- (10) (iii) (A) (18) (i) * MATRIX Marketing Inc. Executive Deferred Compensation Plan. (Exhibit (10) (iii) (A) (21) to Form 10-K for 1996, File No. 1-8519).
- (10) (iii) (A) (18) (ii) * Amendment to MATRIX Marketing Inc. Executive Deferred Compensation Plan (effective May 1, 1994). (Exhibit (10) (iii) (A) (21) (i) to Form 10-K for 1996, File No. 1-8519).
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- (10) (iii) (A) (18) (iii) * Amendment to MATRIX Marketing Inc. Executive Deferred Compensation Plan (effective May 4, 1996). (Exhibit (10) (iii) (A) (21) (ii) to Form 10-K for 1996, File No. 1-8519).
- (12) Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Dividends.
- (13) Portions of the Cincinnati Bell Inc. annual report to security holders for the fiscal year ended December 31, 1997, as incorporated by reference including the Selected Financial Data, Report of Management, Report of Independent Accountants, Management's Discussion and Analysis and Consolidated Financial Statements.
- (21) Subsidiaries of the Registrant.
- (23) Consent of Independent Accountants.
- (24) Powers of Attorney.
- (27.1, 27.2, 27.3) Financial Data Schedules.
- (99) (a) Annual Report on Form 11-K for the Cincinnati Bell Inc.

Retirement Savings Plan for the year 1997 will be filed by amendment on or before June 30, 1998.

(99) (b) Annual Report on Form 11-K for the Cincinnati Bell Inc. Savings and Security Plan for the year 1997 will be filed by amendment on or before June 30, 1998.

(99) (c) Annual Report on Form 11-K for the MATRIXX Marketing Inc. Profit Sharing/401(k) Plan for the year 1997 will be filed by amendment on or before June 30, 1998.

(99) (d) Annual Report on Form 11-K for the CBIS Retirement and Savings Plan for the year 1997 will be filed by amendment on or before June 30, 1998.

* Management contract or compensatory plan required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K.

The Company will furnish, without charge, to a security holder upon request, a copy of the documents, portions of which are incorporated by reference (Annual Report to security holders and proxy statement), and will furnish any other exhibit at cost.

(b) Reports on Form 8-K.

Form 8-K, date of report December 23, 1997, reporting that Cincinnati Bell Inc. and AT&T had entered into a definitive agreement for MATRIXX Marketing Inc., the teleservices unit of Cincinnati Bell Inc., to acquire AT&T's Solution Customer Care, formerly AT&T American Transtech.

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Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CINCINNATI BELL INC.

March 27, 1998

By: /s/ Brian C. Henry

Brian C. Henry
Executive Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature -----	Title -----	Date ----
JOHN T. LAMACCHIA* ----- John T. LaMacchia	Principal Executive Officer; President, Chief Executive Officer and Director	
BRIAN C. HENRY* ----- Brian C. Henry	Principal Accounting and Financial Officer; Executive Vice President and Chief Financial Officer	

JOHN F. BARRETT* Director

John F. Barrett

JUDITH G. BOYNTON* Director

Judith G. Boynton

PHILLIP R. COX* Director

Phillip R. Cox

WILLIAM A. FRIEDLANDER* Director

William A. Friedlander

ROGER L. HOWE* Director

Roger L. Howe

ROBERT P. HUMMEL, M.D.* Director

Robert P. Hummel, M.D.

JAMES D. KIGGEN* Director

James D. Kiggen

STEVEN C. MASON* Director

Steven C. Mason

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CHARLES S. MECHEM, JR.* Chairman of the Board and Director

Charles S. Mechem, Jr.

MARY D. NELSON* Director

Mary D. Nelson

JAMES F. ORR* Director

James F. Orr

BRIAN H. ROWE* Director

Brian H. Rowe

DAVID B. SHARROCK* Director

David B. Sharrock

*By: /s/ Brian C. Henry

March 27, 1998

Brian C. Henry
as attorney-in-fact and on his behalf
as Executive Vice President and
Chief Financial Officer

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareowners of
Cincinnati Bell Inc.

Our report on the consolidated financial statements of Cincinnati Bell Inc. has been incorporated by reference in this Form 10-K from page 29 of the 1997 annual report of Cincinnati Bell Inc. In connection with our audits of such consolidated financial statements, we have also audited the related financial statement schedule on page 29 of this Form 10-K.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

/s/ COOPERS & LYBRAND L.L.P.

COOPERS & LYBRAND L.L.P.

Cincinnati, Ohio
February 16, 1998

Schedule II

CINCINNATI BELL INC.
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
ALLOWANCE FOR DOUBTFUL ACCOUNTS
(Millions of Dollars)

COL. A	COL. B	COL. C		COL. D	COL. E
Description	Balance at Beginning of Period	Additions		Deductions	
		Charged to Expenses	(1) Charged to Other Accounts		
				(2)	
Year 1997.....	\$ 11.7	\$16.8	\$ 5.4 (a)	\$ 19.9 (b)	\$ 14.0
Year 1996.....	\$14.7	\$9.0	\$4.7 (a)	\$16.7 (b)	\$11.7
Year 1995.....	\$14.1	\$8.5	\$5.3 (a)	\$13.2 (b)	\$14.7

(a) Primarily includes amounts previously written off which were credited directly to this account when recovered and an allocation of the purchase price for receivables purchased from Interexchange Carriers.

(b) Primarily includes amounts written off as uncollectible.

CINCINNATI BELL INC.

PENSION PROGRAM

(As amended and restated effective March 3, 1997)

SECTION 1. Statement of Purpose

The purpose of the Cincinnati Bell Inc. Pension Program is to provide supplementary pension benefits and death benefits for Senior Managers of Cincinnati Bell Inc. and its subsidiaries.

SECTION 2. Definitions; Gender and Number.

2.1. For purposes of the Plan, the following terms shall have the meanings hereinafter set forth unless the context otherwise requires:

2.1.1 "Board of Directors" shall mean the Board of Directors of the Company.

2.1.2 "Class 1 Senior Manager" means a Senior Manager who was first designated as a Senior Manager eligible to participate in the Plan prior to March 3, 1997 and who is on the active roll of a Participating Company on March 3, 1997.

2.1.3 "Class 2 Senior Manager" means a Senior Manager who was first designated as a Senior Manager eligible to participate in the Plan on or after March 3, 1997.

2.1.4 "Committee" means the Compensation Committee of the Board of Directors.

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2.1.5 "Company" means Cincinnati Bell Inc.

2.1.6 "Designated Beneficiary" means the person or entity designated by a Senior Manager on forms furnished and in the manner prescribed by the Committee, to receive any benefit payable under the Plan after the Senior Manager's death. If a Senior Manager fails to designate a beneficiary or if, for any reason, such designation is not effective, his "Designated Beneficiary" shall be his surviving spouse, or, if none, his estate.

2.1.7 "Employee" means any person who is employed as a common law employee of a Participating Company.

2.1.8 "Participating Company" means the Company, and each direct and indirect subsidiaries of the Company.

2.1.9 "Pension Plan" means the Cincinnati Bell Management

Pension Plan.

2.1.10 "Plan" means this Cincinnati Bell Inc. Pension Program.

2.1.11 "Senior Manager" means an Employee whose participation in the Plan has been approved by the Board of Directors or the Committee.

2.1.12 "Years of Service," means a Senior Manager's full years of service as an Employee, computed on the basis that 12 full months of service (whether or not consecutive) constitutes one full year of service.

2.2 Four purposes of the Plan, words used in any gender shall include all other genders, words used in the singular form shall include the plural form and words used in the plural form shall include the singular form.

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SECTION 3. Administration

3.1 The Company shall be the Plan Administrator and the Sponsor of the Plan as those terms are defined in the Employee Retirement Income Security Act of 1974. The Committee shall have the administrative responsibilities set forth below.

3.2 The Committee shall have the specific powers elsewhere herein granted to it and shall have such other powers as may be necessary in order to enable it to administer the Plan, except for powers herein granted or provided to be granted to others.

3.2.1 The Committee may adopt such rules and regulations and may employ such persons as it deems appropriate for the proper administration of the Plan.

3.2.2 The Committee shall grant or deny claims for benefits under the Plan, and authorize disbursements according to this Plan. Notice shall be provided in writing to any participant or beneficiary whose claim has been denied, setting forth the specific reasons for such denial. In the event that a claim for benefits has been denied, the Committee shall afford the claimant a full and fair review of the decision denying the claim.

3.2.3 The Committee shall determine conclusively for all parties all questions arising in the administration of the Plan.

3.2.4 The expenses of the Committee in administering the Plan shall be borne by the Participating Companies.

3.2.5 The Board of Directors and the Committee may designate in writing other persons to carry out their responsibilities under the Plan, and may employ persons to advise them with regard to any such responsibilities.

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SECTION 4. Benefits

4.1 If a Class 1 Senior Manager ceases to be an Employee for any reason (other than his death), he shall be entitled to receive the same monthly benefit, and in the same form, which he would have been entitled to receive if the provisions of the Plan in effect on March 2, 1997 continued in effect unamended.

1. Participation. All persons who are Senior Managers and who are participants in the Pension Plan are deemed participants in this Plan.

2. Eligibility.

(a) Service Benefits. An individual who is a Senior Manager at the time of employment termination and who is eligible for a service pension pursuant to the terms of the Pension Plan is eligible for a service benefit pursuant to this Plan.

(b) Deferred Benefit

(i) Except as otherwise specified in Paragraph 6 of this Section 4, any individual who is a Senior Manager at the time of employment termination and who is eligible for a deferred vested pension pursuant to the terms and conditions of the Pension Plan is eligible for a deferred benefit pursuant to this Plan.

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(ii) A Senior Manager who leaves the service of a Participating Company and who has elected to have his deferred vested pension payable early in reduced amounts pursuant to the terms and conditions of the Pension Plan shall be deemed to have elected to have his deferred benefits under this Plan payable early in reduced amounts under the same terms and conditions. In the event of such an election, the amount of deferred benefit otherwise payable under this Plan to such persons shall be reduced in accordance with the same formulae as are set forth in the Pension Plan for the discounting of the deferred vested pension, unless the Committee, in its sole discretion, elects to waive such reduction.

(iii) When an eligible individual has filed a written request for a deferred vested pension pursuant to the requirement of the Pension Plan, he shall be deemed to have filed a request for the deferred benefit for

which me may be eligible hereunder.

(c) Disability Benefit. An individual who while a Senior Manager has become eligible for a Disability Pension pursuant to the terms of the Pension Plan shall be eligible for a Disability Benefit hereunder. Should the Disability Pension be discontinued pursuant to the terms of the Pension Plan, the Disability Benefit hereunder shall be discontinued as well.

3. Benefit Amounts

(a) Computation of Benefit

(i) Benefit Formula:

The monthly benefit of each Senior Manager who retires on or after January 1, 1987 shall be equal to the result obtained (not less than zero) by

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subtracting the amount determined under Clause (B) of this Subparagraph (a) (i) from the amount determined under Clause (A) of this Subparagraph (a) (i):

(A) The product obtained by multiplying (1) 68% of the Senior Manager's average monthly compensation times (2) a fraction (not greater than 1) having a numerator equal to the number of years during his term of employment and a denominator of 30; provided, however, that in the case of a Senior Manager whose age at time of retirement is less than 60 years and who is granted a service benefit for reasons other than total disability as a result of sickness or injury, such product shall be reduced by 0.4167% for each calendar month or part thereof by which his age at time of retirement is less than 60 years.

(B) The sum of (1) the amount of the Senior Manager's monthly pension under the Pension Plan plus (2) the amount of his monthly primary Social Security benefit.

(ii) Average Monthly Compensation:

The "average monthly compensation" referred to in Subparagraph (a) (i) shall be the average of his monthly compensation earned for the 12-consecutive month period during the 36-consecutive month period ending on his retirement date which produces the highest dollar result. For purposes of this Subparagraph (a) (ii), "compensation" means the sum of (A) that portion of the Senior Manager's compensation from the Participating Companies which is included in his "Compensation" under the Pension Plan plus (B) the Senior Manager's awards under Cincinnati Bell Inc. Short Term Incentive Plan. Compensation other than awards under the Cincinnati Bell

Managers and the Cincinnati Bell Inc. Short Term Incentive Plan shall be deemed to have been earned pro rata over the entire performance period to which such compensation relates. An award under the Cincinnati Bell Telephone Company Incentive Award Plan for 4th and 5th Level Managers or the Cincinnati Bell Inc. Short Term Incentive Plan shall be deemed to have been earned on the last day of the performance period to which such award relates.

(iii) Primary Social Security Benefit:

The "primary Social Security Benefit" referred to in Subparagraph (a) (i) shall be:

(A) In the case of a Senior Manager who has attained age 65 on the date he retires, the unreduced primary monthly benefit to which the Senior Manager would be entitled, on proper application, at his retirement under the federal Social Security Act as in effect on the date of his retirement.

(B) In the case of a Senior Manager who has not attained age 65 on the date he retires, the unreduced primary monthly benefit to which the Senior Manager would be entitled, on proper application, at his 65th birthday under the federal Social Security Act as in effect on the date of his retirement, assuming that he did not receive any compensation after his retirement.

(C) For purposes of this Subparagraph (a) (iii), the primary Social Security Benefit of a Senior Manager shall not be adjusted to reflect reductions because the Senior Manager disqualifies himself by earning or otherwise to receive the full amount of such benefit.

(b) Deferred Benefit Amount. The monthly benefit allowance for each Senior Manager eligible for a deferred benefit under the provisions of Paragraph 2(b) of this Section 4 shall be calculated exclusively in accordance with the provisions specified as applicable to those receiving a benefit under Paragraph 2(a) or 2(c) of this Section 4 effective as of the dates such Senior Manager leaves the service of a Participating Company and, in any case, as if such Senior Manager had retired on such date and no recomputation of the benefit shall be made after such date or as a result of

amendments made to this Plan subsequent to such date. A Senior Manager who leaves the service of a Participating Company with eligibility for a deferred benefit in accordance with Paragraph 2(b) of this Section 4 but is not entitled to any other class of pension or benefit shall not be considered a retiree pursuant to the Pension Plan or a retired Senior Manager.

(c) Automatic Survivor Annuity. In the event of the death of a Senior Manager who is an active employee, who either has ten or more years of service or is eligible for a service benefit under Paragraph 2(a) of this Section 4 at the time of his death, who has not attained age 60 and who leaves a surviving spouse, such surviving spouse shall receive a survivor annuity in the amount of 45% of the benefit which would have been payable had such Senior Manager retired with a service benefit, regardless of his actual eligibility therefor, on the date of his death. For purposes of the automatic survivor annuity provided in this Paragraph 3(c), the reduction for retirement prior to age 60 in Clause (A) of Subparagraph (a)(i) of this Paragraph 4 shall not apply.

(d) Automatic Installment Distribution. In the event of the death of a Senior Manager who is an active employee, who either has ten or more years of service or is eligible for a service benefit under Paragraph 2(a) of this Section 4 and who has

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attained age 60, his designated beneficiary or, if none, his estate, shall receive a benefit payable in fifteen annual installments which shall be actuarially equivalent (as determined by the Committee) to the standard form of benefit which would have been payable to the Senior Manager if he had retired on the day preceding the date of his death.

(e) Waiver of Reductions. The Committee, in its sole discretion, may elect to waive in whole or in part any service or age reduction or discount otherwise applicable to the amount of a benefit payable to a Senior Manager under the Plan.

(f) Social Security Supplement. In the case of a Senior Manager who retires prior to attaining age 62, the Committee may, in its sole discretion, elect to provide the Senior Manager with a monthly Social Security supplement from the date of his retirement through the date he attains age 62 (or, if earlier, to the date of his death) in the amount of the Senior Manager's unreduced monthly primary Social Security benefit at age 62. This Social Security supplement shall be in addition to any other

benefits provided under the Plan.

4. Standard Form of Benefits. Benefits shall be payable monthly or at such other periods as the Committee may determine in each case. Except for the reasons specified below, or as may be otherwise determined by the Committee, benefits granted under this Plan shall commence on the day following the date of retirement or at such other time as herein provided for payment of a deferred benefit or disability benefit, and shall continue to the death of the retiree.

5. Optional Forms of Benefit. With the consent of the Committee, and subject to such rules as the Committee may prescribe, a Senior Manager may elect to have his benefit paid in one of the following forms: (a) fifteen equal annual installments;

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or (b) an annuity payable for the life of the Senior Manager and continuing to the Senior Manager's contingent annuitant for his life at one-half of the rate payable during their joint lives. Any optional form of benefit hereunder shall be actuarially equivalent (as determined by the Committee) to the standard form of benefit otherwise payable to the Senior Manager. If a Senior Manager whose benefit is being paid in fifteen annual installments dies before receiving all of the installments, the remaining installments shall be paid, when due, to his designated beneficiary or, if none, to his estate.

6. Responsibility for Payment. The last Participating Company to employ a Senior Manager prior to his retirement or termination of employment shall be responsible for the full benefit, if any, payable to the Senior Manager or his beneficiary under the Plan.

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SECTION 5. Death Benefits

1. Participation and Administration. All Senior Managers who have attained a level higher than Fifth Level or its equivalent shall be participants in the Death Benefit Plan under this Plan. The Death Benefit Plan herein provides for accident, sickness and pensioner death benefits in addition to, and subject to the same terms and conditions and administered in the same manner as the Death Benefit Plan within the Pension Plan, except as is herein specified.

2. Definition of Wages. For purposes of Death Benefits under this Plan, one year's wages is defined as follows:

(a) For an eligible Senior Manager who dies while an active employee or who retires on or after January, 1987, the Senior Manager's Standard Award in effect under the Cincinnati Bell Inc. Short Term Incentive Plan.

(b) For an eligible Senior Manager who dies while an active employee or who retired during the period from September 30, 1983 through December 31, 1986, the lesser of the Senior Manager's Standard Award in effect under the Cincinnati Bell Inc. Short Term Incentive Plan as of the earlier of retirement or death, or 60% of his Position Rate as of the earlier of retirement or death.

(c) For an eligible Senior Manager who died while an active employee or who retired during the period from October 31, 1981 through September 29, 1983, inclusive, the lesser of the Senior Manager's Standard Award in effect under the Cincinnati Bell Inc. Short Term Incentive Plan as of the earlier of retirement or death, or 50% of his Position Rate as of the earlier of retirement or death.

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SECTION 6. General Provisions

1. Effective Date. This Plan is effective January 1, 1987 for Senior Managers who were actively employed on or after that date.

2. Rights to Benefits. There is no right to any benefit under this Plan except as may be provided by the Board of Directors. Benefits previously awarded may be discontinued at any time at the sole discretion of the Board of Directors. In addition to the prerequisites for a service benefit, a deferred benefit, a disability benefit and/or a death benefit set forth herein, and individual or his annuitants or beneficiaries as applicable, shall only be eligible for a benefit if the individual is a Senior Manager at the time of retirement, termination or death. There shall be no eligibility for benefits in the case of an individual who was a Senior Manager for any period during this term of employment, but who is not a Senior Manager at the time of his retirement, termination or death.

3. Forfeiture of Benefits. All benefits for which a Senior Manager would be otherwise eligible hereunder may be forfeited, in the sole and absolute discretion of the Committee, under the following circumstances;

(a) The Senior Manager is discharged by a Participating Company

for cause (as determined by the Board of Directors of the Participating Company in its sole and absolute discretion); or

(b) Determination by the Board of Directors of a Participating Company in its sole and absolute discretion, that the Senior Manager engaged in misconduct in connection with his employment with such Participating Company; or

(c) The Senior Manager, without the express written consent of his

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employing Participating Company or the Participating Company paying him a benefit hereunder, at any time is employed by, becomes associated with, renders service to, or owns an interest in any business that, in the sole and absolute discretion of the Board of Directors of such Participating Company, is competitive with such Participating Company or any other Participating Company or with any direct or indirect subsidiary of Cincinnati Bell Inc. or with any business in which a Participating Company or any direct or indirect subsidiary of Cincinnati Bell Inc. has a substantial interest (other than as a shareholder with a nonsubstantial interest in such business).

4. Assignment or Alienation. Assignment or alienation of pensions or other benefits under this Plan will not be permitted or recognized.

5. Determination of Eligibility. In all questions relating to age and service for eligibility for any benefit hereunder, or relating to term of employment and rates of pay for determining benefits, the decision of the Committee, based upon this Plan and upon the records of the Participating Company last employing such individual and insofar as permitted by applicable law shall be final.

6. Option During Disability. If an employee who has left the service of a Participating Company has elected to continue receiving disability benefits which he had been receiving prior to his termination and to defer receiving pension payments under the Pension Plan to which he is eligible, benefits under this Plan shall be deferred until such time as the employee begins to receive payments under the Pension Plan.

7. Method of Payment. All benefits payable pursuant to the Plan shall be paid from Cincinnati Bell Inc. or Participating Company operating expenses, or through the purchase of insurance from an insurance company, as the Board of Directors may

determine. If the Board of Directors elects to purchase insurance to provide benefits under the Plan, no Senior Manager, beneficiary or annuitant shall have any right or interest in such insurance.

8. Payments to Others. Benefits payable to a former employee or retiree unable to execute a proper receipt may be paid to other person(s) in accordance with the standards and procedures set forth in the Pension Plan.

9. Damage Claims or Suits. Should a claim other than under the Plan be presented or suit brought against Cincinnati Bell Inc. or any Participating Company for damages on account of death of a Senior Manager, nothing shall be payable under the Plan on account of such death except as provided in Paragraph 11 of this Section; provided, however, that the Committee may in its discretion and upon such terms as it may prescribe, waive this provision if such claims be withdrawn or if such suit be discontinued, and provided further that this provision shall not preclude the payment of Survivor Annuities or Installment Distributions under Paragraph 2(c) or 2(d) of Section 4.

10. Judgment or Settlement. In case any judgment is recovered against any Participating Company or any settlement is made of any claim or suit on account of the death of a Senior Manager, and the amount paid to the beneficiaries who would have received benefits under the Plan is less than what would otherwise have been payable under the Plan, the difference between the two amounts may, in the discretion of the Committee, be distributed to such beneficiaries.

11. Payment under Law. In case any benefit, which the Committee shall determine to be of the same general character as a payment provided by the Plan, shall be payable under any law now in force or hereafter enacted to any Senior Manager of a

Participating Company, to his beneficiaries or his annuitant under such law, the excess only, if any, of the amount prescribed in the Plan above the amount of such payment prescribed by law shall be payable under the Plan; provided, however, that no benefit payable under this Plan shall be reduced by reason of any government benefit or pension payable on account of military service or any reason of any benefit which the recipient would be entitled to receive under the Social Security Act or Railroad Retirement Act. In those cases where, because of differences in the beneficiaries, or differences in

the time or methods of payment, or otherwise whether or not there is such excess is not ascertainable by mere comparison but adjustments are necessary, the Committee has discretion to determine whether or not in fact any such excess exists and to make the adjustments necessary to carry out in a fair and equitable manner the spirit of the provision for the payment of such excess.

12. Participants in Prior Plan. A Senior Manager who retired prior to January 1, 1987 shall continue to receive the same benefits and in the same form and amount, which he was entitled to receive under the Plan as of December 31, 1986. In the case of a Senior Manager who was a participant in the Plan on December 31, 1986, in no event shall the value of his benefit under the Plan be less than the value of his accrued benefit under the Plan as of December 31, 1986.

13. Plan Termination. The Board of Directors retains the right to terminate the Plan in whole or in part at any time, for any reason, with or without notice. Subject to the provisions of Paragraph 14 of this Section 6, said termination may result, at the discretion of the Board of Directors, in the cancellation of any entitlements or future entitlements to active Senior Managers; provided, however, that the termination or partial

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termination of the Plan shall not reduce the accrued benefit of any Vested Senior Manager, retired Senior Manager or his beneficiary.

14. Provisions Upon Change In Control. In the event of a Change in Control occurring on or after December 5, 1988, the provisions of this Paragraph 14 will supersede any conflicting provisions of the Plan.

a. In the event of a Change in Control, the full present value of all accrued benefits under the Plan, as determined in accordance with the provisions of the Plan and the Cincinnati Bell Inc. Grantor Trust between Cincinnati Bell Inc. and Central Trust Co., N.A. (the Trust), shall be fully funded to the Trust in cash or other property acceptable to the trustee, within five (5) business days of such Change in Control.

The determination of the full present value of the accrued benefits under the Plan and the excess portion of the Pension Plan shall be made using the following assumptions: (i) the date of retirement for each Senior Manager shall be considered to be the later of the date on which such Senior Manager shall become eligible for a reduced or unreduced, as applicable, service pension under the Pension Plan or the date of the Change in Control, (ii) each Senior Manager who is married on the date of the Change in Control

shall be assumed to select the joint and survivor benefit, and (iii) the interest and mortality assumptions shall be the same as those used for funding the Pension Plan for the plan year in which the Change in Control occurs or if such assumptions are not yet established, the assumptions used in the immediately preceding year. In addition, the following assumptions also apply to the determination of accrued benefits under the Plan: (i) for the purpose of the Benefit Formula under Section 4, Paragraph 3(a)(i) of this Plan (or any equivalent successor provisions of such Plan or any

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successor Plan) each Pension Eligible Senior Manager will be considered to have a term of employment equal to thirty (30) years and an age at retirement equal to sixty (60) years, and (ii) no Social Security Supplements shall be granted.

b. In the event that the Plan is terminated or partially terminated on or after a Change in Control and prior to the second anniversary of such Change in Control as defined hereinafter, each Senior Manager affected by such termination or partial determination may elect, within 90 days of the proposed distribution date (as defined below), to receive the full present value of the benefit accrued under this Plan and the benefit, referred to in Paragraph 14(c) of this Section 6, accrued under the Pension Plan to the date of the termination in a single lump sum payment. In the event a Senior Manager is married on the proposed distribution date, such election must be made by the Senior Manager in writing during the election period, be consented to by the Senior Manager's spouse and will be applicable to any benefit that would otherwise have been paid to the Senior Manager's spouse (as well as the full benefit payable to the Senior Manager) in the event of the Senior Manager's death under this Plan and, with respect to the benefit referred to in Paragraph 14(C) of this Section 6, the Pension plan. Such election and spousal consent shall be irrevocable and the spousal consent must be witnessed by a Plan representative or a notary public. If the Senior Manager so elects in accordance with this Paragraph 14(b) to receive a lump sum, such lump sum shall be distributed to the Senior Manager or, in the event of the Senior Manager's death, the Senior Manager's beneficiary in the amount which equals the present value of the benefit or benefits projected to be paid under the Plan to the Senior Manager and/or his surviving spouse, actuarially determined using the PBGC rate used to value immediate annuities

as of January 1 of the

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year of the proposed distribution date and all other relevant assumptions used by the Plan's actuary for funding the Plan for such year; provided, however, that such amount shall be further reduced by an amount equal to ten percent (10%) prior to distribution of such lump sum. The proposed distribution date of the lump sum distribution shall be no later than one year following the date of the termination or partial termination of the Plan. Once such amount is paid, the obligation of the Plan to such Senior Manager and/or his surviving spouse shall be considered to be fully and irrevocably satisfied. No Senior Manager shall have any right under the Paragraph 14(b) prior to the occurrence of a Change in Control.

c. The amount accrued under the Pension Plan and payable as a part of the actuarially determined lump sum distribution in accordance with Paragraph 14(b) of this Section 6 shall equal the portion of the pension (whether in the form of a joint and survivor or single life annuity) determined as of the proposed distribution date, that is in excess of the permissible amount which may be distributed from the Pension Plan in accordance with Section 415 of the Internal Revenue Code and with respect to which payments are to be made in accordance with Paragraph 9 of Section 4 of the Pension Plan.

Notwithstanding any other provisions, a management employee of any company participating in the Pension Plan whose pension under the Pension Plan is in excess of the limits of Section 415 of the Internal Revenue Code and for whom such excess is to be paid in accordance with the provisions of Paragraph 9 of Section 4 of the Pension Plan, shall be considered a participant in this Plan for purposes of this Paragraph 14(c).

d. For the purposes of this Paragraph 14, a "Change in Control" means and shall be deemed to occur if, on or after December 5, 1988:

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(i) a tender offer shall be made and consummated for the ownership of 30% or more of the outstanding voting securities of Cincinnati Bell Inc.;

(ii) Cincinnati Bell Inc. shall be merged or consolidated with another corporation and as a result of such merger or consolidation less than 75% of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the former shareholders of the Cincinnati Bell Inc., other than affiliates (within the meaning of the

Securities Exchange Act of 1934) of any party to such merger or consultation, as the same shall have existed immediately prior to such merger or consolidation;

(iii) Cincinnati Bell Inc. shall sell substantially all of its assets to another corporation which is not a wholly owned subsidiary;

(iv) a person within the meaning of Section 3(a)(9) or of Section 13(d)(3) (as in effect on December 5, 1988) of the Securities Exchange Act of 1934, shall acquire 20% or more of the outstanding voting securities of Cincinnati Bell Inc. (whether directly, indirectly, beneficially or of records), or a person, within the meaning of Section 3(a)(9) or Section 13(d)(3) (as in effect on December 5, 1988) of the Securities Exchange Act of 1934, controls in any manner the election of a majority of the directors of Cincinnati Bell Inc., or

(v) within any period of two consecutive years commencing on or after December 5, 1988, individuals who at the beginning of such period constitute Cincinnati Bell Inc.'s Board of Directors cease for any reason to constitute at least a majority thereof, unless the election of each director who was not a director at the beginning of such period has been approved in advance by directors representing at least two-thirds of

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the directors then in office who were directors at the beginning of the period. For purposes hereof, ownership of voting securities shall take into account and shall include ownership as determined by applying the provisions of Rule 13d-3(d)(1)(i) (as in effect on December 5, 1988) pursuant to the Securities Exchange Act of 1934.

e. In the event of a Change in Control, the provisions of the Paragraph 14 may not be deleted or amended on or subsequent to the Change in Control in any manner whatsoever which would be adverse to one or more Senior Managers without the consent of each such Senior Manager who would be so affected; provided, however, the Board of Directors may make minor or administrative changes to this Paragraph 14 or changes to conform to applicable legal requirements. This Paragraph 14(e) shall not limit Cincinnati Bell Inc. or the Board of Directors from making any amendment to or deleting all or any portion of this Paragraph 14 prior to a Change in Control.

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SECTION 7. Plan Modification

Subject to the provisions of Paragraph 14 of Section 6, the Board of Directors may in its sole discretion from time to time make any changes in the Plan as it deems appropriate, and may terminate the Plan, without notice to participants; provided, however, that no Plan amendment may be adopted which reduces the accrued benefit of any Vested Senior Manager, retired Senior Manager or his beneficiary.

EMPLOYMENT AGREEMENT

This Agreement is made as of June 9, 1997 (the "Effective Date") between Cincinnati Bell Telephone, an Ohio corporation ("Employer" or "CBT"), and Richard G. Ellenberger ("Employee").

Employer and Employee agree as follows:

1. EMPLOYMENT. By this Agreement, Employer and Employee set forth the terms of Employer's employment of Employee on and after the Effective Date. Any prior agreements or understandings with respect to Employee's employment by Employer are cancelled as of the Effective Date.

2. PERIOD OF AGREEMENT. This Agreement begins on the Effective Date and, subject to the terms of Section 13, will end on June 8, 2002.

3. DUTIES.

A. Employee will serve as President and Chief Executive Officer of CBT or in such other equivalent capacity (e.g., president of a business unit) as may be designated by the Chief Operating Officer of Cincinnati Bell Inc. (CBI). Employee will report to the Chief Operating Officer of CBI or such other officer of CBI as may be designated by the Chief Operating Officer of CBI.

B. Employee shall furnish such managerial, executive, financial, technical, and other skills, advice, and assistance in operating CBT as Employer may reasonably request.

C. Employee shall also perform such other duties as are reasonably assigned to Employee by the CBI officer to whom Employee reports.

D. Employee shall devote Employee's entire time, attention, and energies to the business of Employer. The words "entire time, attention, and energies" are intended to mean that Employee shall devote his full effort during reasonable working hours to the business of Employer and shall devote at least 40 hours per week to the business of Employer. Employee shall travel to such places as are necessary in the performance of Employee's duties.

E. Within six months after the Effective Date, Employee shall move Employee's permanent residence from Chester Springs, PA to Cincinnati, OH.

4. COMPENSATION.

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A. Employee shall receive a base salary (the "Base Salary") of at least \$320,000 per year, payable monthly, for each year during the term of this Agreement, subject to proration for any partial year. Such Base Salary, and any other amounts payable hereunder, shall be subject to withholding as required by law.

B. In addition to the Base Salary, Employee shall be entitled to receive an annual bonus (the "Bonus") for each calendar year for which services are performed under this Agreement. Any Bonus for a calendar year shall be payable after the conclusion of the calendar year in accordance with Employer's regular bonus payment policies. Employee shall be given a Bonus target of not less than \$160,000 for each year, subject to proration for a partial year.

C. On at least an annual basis, Employee shall receive a formal performance review and be considered for Base Salary and/or Bonus target increases.

5. EXPENSES. All reasonable and necessary expenses incurred by Employee in the course of the performance of Employee's duties to Employer shall be reimbursable in accordance with Employer's then current travel and expense policies.

6. BENEFITS.

A. While Employee remains in the employ of Employer, Employee shall be entitled to participate in all of the various employee benefit plans and programs in which fifth level managers and above of CBT are participating.

B. Notwithstanding anything contained herein to the contrary, the Base Salary and Bonuses otherwise payable to Employee shall be reduced by any benefits paid to Employee by Employer under Employer's Sickness and Accident Disability Plan and Long Term Disability Plan for Salaried Employees and under any other disability plan made available to Employee by Employer.

C. A request will be made to the Compensation Committee of the Board of Directors of CBI to provide Employee a stock option grant of 27,000 CBI shares on the date of Employee's employment. Additional stock options may be awarded annually at the discretion of the Compensation Committee.

D. Employer will reimburse Employee for expenses incurred by Employee to relocate from Chester Springs, PA to Cincinnati, OH, in accordance with the CBT Relocation Plan.

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E. As of the Effective Date, Employee shall be given a Performance Share target, under CBI's Senior Management Long Term Incentive Plan, of 4,200 CBI shares for the three year performance period ending December 31, 2000. The number of CBI shares, if any, to be awarded at the conclusion of the performance period shall be determined in accordance with and subject to the provisions of the Senior Management Long Term Incentive Plan.

F. As of the Effective Date, Employee shall receive a restricted stock award of 25,000 common shares of CBI. All provisions of this Agreement which relate to the terms under which restricted stock will be granted to Employee are subject to approval by the Compensation Committee. Such award shall be made under the Cincinnati Bell Inc. 1997 Long Term Incentive Plan on the terms set forth in Attachment A.

G. If Employee's employment with Employer is terminated after the fifth anniversary of the Effective Date for any reason other than those set forth in Sections 13.A., B. and C., Employer shall pay Employee an amount equal to two times Employee's annual Base Salary rate in effect on the date of termination.

7. CONFIDENTIALITY. Employer and its Affiliates are engaged in the telecommunications services, information services, and telecommunications support services industries within the U.S. and world wide. Employee acknowledges that in the course of employment with the Employer, Employee will be entrusted with or obtain access to information proprietary to the Employer and its Affiliates with respect to the following (all of which information is referred to hereinafter collectively as the "Information"); the organization and management of Employer and its Affiliates; the names, addresses, buying habits, and other special information regarding past, present and potential customers, employees and suppliers of Employer and its Affiliates; customer and supplier contracts and transactions or price lists of Employer, its Affiliates and their suppliers; products, services, programs and processes sold, licensed or developed by the Employer or its Affiliates; technical data, plans and specifications, present and/or future development projects of Employer and its Affiliates; financial and/or marketing data respecting the conduct of the present or future phases of business of Employer and its Affiliates; computer programs, systems and/or software; ideas, inventions, trademarks, business information, know-how, processes, improvements, designs, redesigns, discoveries and developments of Employer and its Affiliates; and other information considered confidential by any of the Employer, its Affiliates or customers or suppliers of Employer, its Affiliates. Employee agrees to retain the Information in absolute confidence and not to disclose the Information to any person or organization except as required in the performance of his duties for Employer, without the express written consent of Employer. For purposes of this Agreement, "Affiliate" means CBI and each direct and indirect subsidiary of CBI.

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8. NEW DEVELOPMENTS. All ideas, inventions, discoveries, concepts,

trademarks, or other developments or improvements, whether patentable or not, conceived by the Employee, alone or with others, at any time during the term of Employee's employment, whether or not during working hours or on Employer's premises, which are within the scope of or related to the business operations of Employer or its Affiliates or that relate to Employer or Affiliates' work or project, present, past or contemplated, shall be and remain the exclusive property of Employer. Employee shall do all things reasonably necessary to ensure ownership of such New Developments by Employer, including the execution of documents assigning and transferring to Employer, all of Employee's rights, title and interest in and to such New Developments, and the execution of all documents required to enable Employer to file and obtain patents, trademarks, and copyrights in the United States and foreign countries on any of such New Developments.

9. SURRENDER OF MATERIAL UPON TERMINATION. Employee hereby agrees that upon cessation of Employee's employment, for whatever reason and whether voluntary or involuntary, Employee will immediately surrender to Employer all of the property and other things of value in his possession or in the possession of any person or entity under his control that are the property of Employer or any of its Affiliates, including without any limitation all personal notes, drawings, manuals, documents, photographs, or the like, including copies and derivatives thereof, relating directly or indirectly to any confidential information or materials or New Developments, or relating directly or indirectly to the business of Employer or any of its Affiliates.

10. REMEDIES.

A. EMPLOYER'S REMEDIES. Employer and Employee hereby acknowledge and agree that the services rendered by Employee to Employer, the information disclosed to Employee during and by virtue of his employment, and Employee's commitments and obligations to Employer and its Affiliates herein are of a special, unique and extraordinary character, and that the breach of any provision of this Agreement by Employee will cause Employer irreparable injury and damage, and consequently the Employer shall be entitled to, in addition to all other remedies available to it, injunctive and equitable relief to prevent a breach of this Agreement, or any part of it, and to secure the enforcement of this Agreement.

B. EMPLOYEE'S REMEDIES. Employee agrees to submit to final and binding arbitration any dispute, claim or controversy, whether for breach of this agreement or for violation of any of Employee's statutorily created or protected rights, arising between the parties that Employee would have been otherwise entitled to file or pursue in court or before any administrative agency

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(herein "claim"), and Employee waives all right to sue Employer, its Affiliates, and all of their agents, employees, officers and directors.

(i) This agreement to arbitrate and any resulting arbitration award are enforceable under and subject to the Federal Arbitration Act, 9 U.S.C. Section 1 ET SEQ. ("FAA"). If the FAA is held not to apply for any reason then Ohio Revised Code Chapter 2711 regarding the enforceability of arbitration agreements and awards will govern this Agreement and the arbitration award.

(ii) (a) All of Employee's claims must be presented at a single arbitration hearing under this Agreement. Any claim not raised at the arbitration hearing is waived and released. The arbitration hearing will take place in Cincinnati, Ohio.

(b) The arbitration process will be governed by the Employment Dispute Resolution Rules of the American Arbitration Association ("AAA") except to the extent they are modified by this Agreement.

(c) Employee has had an opportunity to review the AAA rules and the requirements that Employee must pay a filing fee for which the Employer has agreed to split on an equal basis.

(d) The arbitrator will be selected from a panel of arbitrators chosen by the AAA in White Plains, New York. After the filing of a Request for Arbitration, the AAA will send simultaneously to Employer and Employee an identical list of names of five persons chosen from the panel. Each

party will have 10 days from the transmittal date in which to strike up to two names, number the remaining names in order of preference and return the list to the AAA.

(e) Any pre-hearing disputes will be presented to the arbitrator for expeditious, final and binding resolution.

(f) The award of the arbitrator will be in writing and will set forth each issue considered and the arbitrator's finding of fact and conclusions of law as to each such issue.

(g) The remedy and relief that may be granted by the arbitrator are limited to lost wages, benefits, cease and desist and affirmative relief, compensatory, liquidated and punitive damages and reasonable attorney's fees, and will not include reinstatement or promotion. If the arbitrator would have awarded reinstatement or promotion, but for the prohibition in this Agreement, the arbitrator may award front pay. Compensatory, liquidated and punitive damages for breach of this Agreement, if awarded, may not exceed the greater of (i) the amount provided in case of a termination under Section 13.D, and (ii) the maximum amount otherwise payable under the applicable terms of this

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Agreement. Compensatory, liquidated and punitive damages, for a dispute, claim or controversy other than for breach of this Agreement, if awarded, are limited to a combined total of one year's salary. The arbitrator may assess to either party, or split, the arbitrator's fee and expenses and the cost of the transcript, if any, in accordance with the arbitrator's determination of the merits of each party's position, but each party will bear any cost for its witnesses and proof.

(h) Employer and Employee recognize that a primary benefit each derives from entering this Agreement is avoiding the delay and costs normally associated with litigation. Therefore, neither party will be entitled to conduct any discovery prior to the arbitration hearing except that: (i) Employer will furnish Employee with copies of all non-privileged documents in Employee's personnel file; (ii) if the claim is for discharge, Employee will furnish Employer with records of earnings and benefits relating to Employee's subsequent employment (including self-employment) and all documents relating to Employee's efforts to obtain subsequent employment; (iii) the parties will exchange copies of all documents they intend to introduce as evidence at the arbitration hearing at least 10 days prior to such hearing; (iv) Employee will be allowed (at Employee's expense) to take the depositions, for a period not to exceed four hours each, of two representatives of Employer, and Employer will be allowed (at its expense) to depose Employee for a period not to exceed four hours; and (v) Employer or Employee may ask the arbitrator to grant additional discovery to the extent permitted by AAA rules upon a showing that such discovery is necessary.

(i) Nothing herein will prevent either party from taking the deposition of any witness where the sole purpose for taking the deposition is to use the deposition in lieu of the witness testifying at the hearing and the witness is, in good faith, unavailable to testify in person at the hearing due to poor health, residency and employment more than 50 miles from the hearing site, conflicting travel plans or other comparable reason.

(iii) Arbitration must be requested in writing no later than 6 months from the date of Employee's knowledge of the matter disputed by the claim. Employee's failure to initiate arbitration under this Agreement within the time limits herein will be considered a waiver and release by Employee with respect to any claim subject to arbitration under this Agreement.

(iv) Employer and Employee consent that judgment upon the arbitration award may be entered in any federal or state court that has jurisdiction.

(v) Employee will not commence or pursue any litigation on any claim that is or was subject to arbitration under this Agreement.

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(vi) All aspects of any arbitration procedure under this Agreement, including the hearing and the record of the proceedings, are confidential and will not be open to the public, except to the extent the parties agree otherwise in writing, or as may be appropriate in any subsequent proceedings between the parties, or as may otherwise be appropriate in response to a governmental agency or legal process.

11. COVENANT NOT TO COMPETE. During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee will not engage in any business offering services related to the current business of Employer or any of its Affiliates, whether as a principal, partner, joint venturer, agent, employee, salesman, consultant, director or officer, where such position would involve Employee in any business activity in competition with Employer or any of its Affiliates. This restriction will be limited to the geographical area where Employer or any of its Affiliates is then engaged in such competing business activity or to such other geographical area as a court shall find reasonably necessary to protect the goodwill and business of the Employer.

During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee will not interfere with or adversely affect, either directly or indirectly, Employer's or Employer's Affiliates relationships with any person, firm, association, corporation or other entity which is known by Employee to be, or is included on any listing to which Employee had access during the course of employment as a customer, client, supplier, consultant or employee of Employer or any of its Affiliates and that Employee will not divert or change, or attempt to divert or change, any such relationship to the detriment of Employer or any of its Affiliates or to the benefit of any other person, firm, association, corporation or other entity.

During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee shall not, without the prior written consent of Employer, accept employment, as an employee, consultant, or otherwise, with any company or entity which is a customer or supplier of Employer or any of its Affiliates at any time during the final year of Employee's employment with Employer.

Employee will not, during or at any time after the termination of Employee's employment with Employer, induce or seek to induce, any other employee of Employer or any of its Affiliates to terminate his or her employment relationship with Employer or the Affiliate which employs such other employee.

12. GOODWILL. Employee will not disparage or act in any manner, directly or indirectly, which may damage the business of Employer or any of its Affiliates or which would adversely affect the goodwill, reputation, and business

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relationships of Employer or any of its Affiliates with the public generally, or with any of their customers, suppliers or employees.

13. TERMINATION.

A. (i) Employer or Employee may terminate this Agreement upon Employee's failure or inability to perform the services required hereunder because of any physical or mental infirmity for which Employee receives disability benefits under Employer's Sickness and Accident Disability Benefit Plan and/or Employer's Long Term Disability Plan for Salaried Employees as the case may be (the "Plans"), over a period of one hundred twenty consecutive working days during any twelve consecutive month period (a "Terminating Disability").

(ii) If Employer or Employee elects to terminate this Agreement in the event of a Terminating Disability, such termination shall be effective immediately upon the giving of written notice by the terminating party to the other.

(iii) Upon termination of this Agreement on account of Terminating Disability, Employer shall pay Employee Employee's accrued compensation hereunder, whether Base Salary or otherwise (subject to offset for

any amounts received pursuant to the Plans), to the date of termination. For as long as such Terminating Disability may exist, Employee shall continue to be an employee of Employer for all other purposes and Employer shall provide Employee with disability benefits and all other benefits according to the provisions of the Plans and any other Employer plans in which Employee is then participating.

(iv) If the parties elect not to terminate this Agreement upon an event of a Terminating Disability and Employee returns to active employment with Employer prior to such a termination, or if such disability exists for less than one hundred twenty consecutive working days, the provisions of this Agreement shall remain in full force and effect.

B. This Agreement terminates immediately and automatically on the death of the Employee, provided, however, that the Employee's estate shall be paid Employee's accrued compensation hereunder, whether Base Salary or otherwise, to the date of death.

C. Employer may terminate this Agreement immediately for Cause. For purposes of this Agreement, Employer shall have Cause to terminate this Agreement only if the CBI Board of Directors determines that there has been fraud, misappropriation or embezzlement on the part of Employee.

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D. Employer may terminate this Agreement upon prior written notice for any reason other than those set forth in Sections 13.A., B., and C., provided, however, that Employer shall have no right to terminate this Agreement during the 90-day period following a Change in Control of Employer. This Agreement shall terminate automatically in the event that Employee elects to resign within 90 days after a Change in Control of Employer. In the event of a termination under the first sentence of this Section 13.D., Employer shall pay Employee two times the Base Salary as it exists at the time of termination. In the event of a termination under the second sentence of this Section 13.D., Employer shall pay Employee 2.99 times the Base Salary as it exists at the time of termination. For purposes of this Agreement, a "Change in Control" of Employer shall be deemed to have occurred if 50% or more of the outstanding shares of Employer are sold by CBI to an entity unrelated to CBI or if 50% or more of the assets of Employer are sold to an entity unrelated to CBI.

E. Upon termination of this Agreement as a result of an event of termination described in this Section 13 and except for Employer's payment of the required payments under this Section 13, all further compensation under this Agreement shall terminate.

F. The termination of this Agreement shall not amend, alter or modify the rights and obligations of the parties under Sections 6.G., 7, 8, 9, 10, 11, and 12 hereof, the terms of which shall survive the termination of this Agreement.

14. ASSIGNMENT. As this is an agreement for personal services involving a relation of confidence and a trust between Employer and Employee, all rights and duties of Employee arising under this Agreement, and the Agreement itself, are non-assignable by Employee.

15. NOTICES. Any notice required or permitted to be given under this Agreement shall be sufficient, if in writing, and if delivered personally or by certified mail to Employee at Employee's place of residence as then recorded on the books of Employer or to Employer at its principal office.

16. WAIVER. No waiver or modification of this Agreement or the terms contained herein shall be valid unless in writing and duly executed by the party to be charged therewith. The waiver by any party hereto of a breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach by such party.

17. GOVERNING LAW. This agreement shall be governed by the laws of the State of Ohio.

18. ENTIRE AGREEMENT. This Agreement contains the entire agreement of the parties with respect to Employee's employment by Employer. There are

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no other contracts, agreements or understandings, whether oral or written, existing between them except as contained or referred to in this Agreement.

19. SEVERABILITY. In case any one or more of the provisions of this Agreement is held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or other enforceability shall not affect any other provisions hereof, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provisions have never been contained herein.

20. SUCCESSORS AND ASSIGNS. Subject to the requirements of Paragraph 14 above, this Agreement shall be binding upon Employee, Employer and Employer's successors and assigns.

21. CONFIDENTIALITY OF AGREEMENT TERMS. The terms of this Agreement shall be held in strict confidence by Employee and shall not be disclosed by Employee to anyone other than Employee's spouse, Employee's legal counsel, and Employee's other advisors, unless required by law. Further, except as provided in the preceding sentence, Employee shall not reveal the existence of this Agreement or discuss its terms with any person (including but not limited to any employee of Employer or its Affiliates) without the express authorization of the Chief Operating Officer of CBI.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

CINCINNATI BELL TELEPHONE COMPANY

By /s/ James F. Orr

James F. Orr

EMPLOYEE

By /s/ Richard G. Ellenberger

Richard G. Ellenberger

Attachment A

RESTRICTED STOCK AWARD
UNDER THE PROVISIONS OF
THE CINCINNATI BELL INC.
1997 LONG TERM INCENTIVE PLAN

Name of Employee: RICHARD G. ELLENBERGER
Award Date: JUNE 9, 1997
Number of Restricted Shares: 25,000

Pursuant to the provisions of the Cincinnati Bell Inc. 1997 Long Term Incentive Plan (the "Plan"), a copy of which has been delivered to you, the Compensation Committee of the Board of Directors of Cincinnati Bell Inc. (the "Compensation Committee") has granted you an award of 25,000 common shares, par value \$1.00 per share, of Cincinnati Bell Inc. (the "Shares"), on and subject to the terms of the Plan and your agreement to the following terms, conditions and restrictions.

1. SECURITIES SUBJECT TO THIS AGREEMENT. This Agreement is made with respect to the Shares and any securities (including additional common shares of Cincinnati Bell Inc. (the "Company")) issued in respect of the Shares, whether by way of a share dividend, a share split, any reorganization or recapitalization of the Company or its stock or any merger, exchange of securities or like event or transaction as the result of which any security or securities of any kind are issued to you by reason of your ownership of the Shares. Reference herein to the Shares shall include any such securities issued in respect of the Shares.

2. RIGHTS OF OWNERSHIP. Except for the Restrictions (as defined in Section 3 hereof) and subject to the provisions regarding forfeiture set forth in Section 8 hereof, you are the record and beneficial owner of the

Shares, with all rights and privileges (including but not limited to the right to vote, to receive dividends and to receive distributions upon liquidation of the Company) appertaining thereto.

3. RESTRICTIONS. Neither the Shares nor any interest therein may be transferred or conveyed by you in any manner whatsoever, whether or not for consideration (the "Restrictions"), except upon the passage of time or occurrence of events as specified in Section 4, 5, 6 and 7 hereof.

4. LAPSE. The Restrictions shall lapse and be of no further force and effect as to 25,000 shares on June 9, 2002.

5. TERMINATION OF RESTRICTIONS - DEATH. In the event of your death while employed by the Company or any of its subsidiaries and on or prior to June 9, 2002, the Restrictions shall terminate and be of no further force or effect, effective as of the date of death, with respect to the number of Shares (rounded up to the nearest whole Share) that bears the same ratio to the total number of Shares as the number of days from the Award Date of the then restricted Shares through the date of your death bears to the number of days from the Date of Grant to June 9, 2002. Any Shares which remain subject to the Restrictions after the calculation prescribed in the preceding sentence shall be forfeited to the Company as of your date of death. Upon the Restrictions terminating with respect to certain Shares, the executor, administrator or other personal representative of your estate, or the trustee of any trust becoming entitled thereto by reason of your death, may

transfer the unrestricted Shares to any person or persons entitled thereto under your will or under your trust or other instrument (or in the absence of any will under the laws of descent and distribution) governing the distribution of your estate in the event of your death.

6. TERMINATION OF RESTRICTIONS - DISABILITY. If you (a) shall become disabled and as a result thereof cease to be an employee of the Company or any of its subsidiaries under and pursuant to applicable disability provisions of any employment contract to which you and the Company or any of its subsidiaries are parties or, (b) shall become disabled to such extent that you are unable to perform the usual duties of your job for a period of 12 consecutive weeks or more and if as the result thereof the Compensation Committee approves the termination of your employment within 12 months following the first day of the 12 consecutive week period on terms that include the right to transfer the Shares free of the Restrictions, then and in either such event the Restrictions shall terminate and be of no further force and effect as of the date you cease to be an employee in the same manner as prescribed in the event of death outlined in Section 5 above.

7. CHANGE IN CONTROL. In the event of a Change in Control of Cincinnati Bell Telephone Company (the "Subsidiary") while you are employed by the Company or any of its subsidiaries and on or prior to June 9, 2002, any Restrictions which have not previously lapsed shall terminate and be of no further force or effect as of the date of the Change of Control. For purposes hereof, "Change of Control" means a change of ownership in which 50% or more of the Shares of the Subsidiary are sold to an entity which is not an affiliate of the Company or 50% or more of the assets of the Subsidiary are sold to an entity which is not an affiliate of the Company.

8. FORFEITURE. If you cease to be an employee of the Company or any of its subsidiaries, except as provided in Section 4, 5, 6 and 7 hereof, any Shares which remain subject to the Restrictions of the date such employment terminates shall be at once forfeited to the Company as of the date of such termination of employment (the "Forfeiture Date"). Upon such forfeiture all of your rights in respect of such Shares shall cease automatically and without further action by the Company or you. For the purpose of giving effect to this provision, you have executed and delivered to the Company a stock power with respect to each certificate evidencing any of the Shares, thereby assigning to the Company all of your interest in the Shares. By the execution and delivery of this Agreement, you authorize and empower the Company, in the event of a forfeiture of any of the Shares under this Section 8 to (i) date (as of the Forfeiture Date) those stock powers

relating to Shares that remain subject to the Restrictions as of the Forfeiture Date and (ii) present such stock powers and the certificates to which they relate to the Company's transfer agent or other appropriate party of the sole purpose of transferring the forfeited Shares to the Company.

9. MATTERS RELATING TO CERTIFICATES.

(a) Upon their issuance, the certificates representing the Shares shall be deposited with the Secretary of the Company and shall be released to you only pursuant to the provisions of this Section 9.

(b) Each certificate for Shares issued to you in accordance with this Agreement shall bear the following legend:

"THE SHARES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS OF A RESTRICTED STOCK AGREEMENT BETWEEN THE REGISTERED HOLDER HEREOF AND CINCINNATI BELL INC., DATED AS OF JUNE 9, 1997 AND MAY NOT BE TRANSFERRED BY THE HOLDER, EXCEPT AS PROVIDED BY THE TERMS OF SUCH AGREEMENT, A COPY OF WHICH IS ON DEPOSIT WITH THE SECRETARY OF CINCINNATI BELL INC. AND WHICH WILL BE MAILED TO A SHAREHOLDER OF CINCINNATI BELL INC. WITHOUT CHARGE WITHIN FIVE DAYS AFTER RECEIPT OF A WRITTEN REQUEST."

Upon the lapse or termination of the Restrictions as to any Shares, the certificate evidencing such Shares shall be promptly presented to the Company's transfer agent or other appropriate party with instructions to cause such certificate to be reissued, to the extent appropriate, in your name and without the foregoing legend. Any Shares evidenced by such certificate which remain subject to the Restrictions shall be evidenced by a new certificate, bearing the foregoing legend, which shall be returned to the Company. Upon the lapse or termination of the Restrictions as to any Shares, the stock power or powers held by the Company with respect to such Shares shall be surrendered to you (in exchange, if applicable, for a stock power relating to any Shares which remain subject to the Restrictions).

10. INTERPRETATION. You acknowledge that the Compensation Committee has the authority to construe and interpret the terms of the Plan and Agreement if and when any questions of meaning arises under the Plan or this Agreement, and any such construction or interpretation shall be binding on you, your heirs, executors, administrators, personal representatives and any other persons having or claiming to have an interest in the Shares.

11. WITHHOLDING. In connection with the award of Shares to you and any dividend payments made while such Shares remain subject to restrictions hereunder, the Company will withhold or cause to be withheld from your salary payments such amounts of tax at such times as may be required by law to be withheld with respect to the Shares and/or dividends, provided that if your salary is not sufficient for such purpose, you shall remit to the Company, on request, the amount required for such withholding taxes. Within 45 days after issuance of the certificates representing the Shares, you shall advise the Company in writing whether or not you have made an election, under Section 83(b) of the Internal Revenue Code of 1986, to include the fair market value of the Shares in your gross income for the calendar year in which the certificates are issued.

12. NOTICES. All notices and other communications to be given hereunder shall be in writing and shall be deemed to have been duly given when delivered personally or when deposited in the United States mail, first class postage prepaid, and addressed as follows:

TO THE COMPANY: Cincinnati Bell Inc.
201 East Fourth Street, Rm. 102-760
Cincinnati, Ohio 45202
Attention: Secretary of the Compensation Committee

TO THE EMPLOYEE: Richard G. Ellenberger

or to any other address as to which notice has been given in the manner

herein provided.

13. MISCELLANEOUS. This Agreement shall be binding upon the parties hereto and their respective heirs, executors, administrators, personal representatives, successors and assigns. Subject to the provisions of the Plan, this Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and shall be construed and interpreted in accordance with the laws of the State of Ohio. This Agreement may not be amended except in a writing signed by each of the parties hereto. If any provisions of this Agreement shall be deemed to be invalid or void under any applicable law, the remaining provisions hereof shall not be affected thereby and shall continue in full force and effect.

Please indicate your acceptance by signing at the place provided and returning this Agreement.

COMPENSATION COMMITTEE OF
THE BOARD OF DIRECTORS OF
CINCINNATI BELL INC.

Dated: June 9, 1997

By: /s/ Connie Johnston

Dated: June 15, 1997

/s/ Richard G. Ellenberger

Accepted and Agreed

EMPLOYMENT AGREEMENT

This Agreement is made as of January 1, 1998 (the "Effective Date") between Cincinnati Bell Inc., an Ohio corporation ("Employer" or "CBI"), and William D. Baskett III ("Employee").

Employer and Employee agree as follows:

1. EMPLOYMENT. By this Agreement, Employer and Employee set forth the terms of Employer's employment of Employee on and after the Effective Date. Any prior agreements or understandings with respect to Employee's employment by Employer are cancelled as of the Effective Date.

2. PERIOD OF EMPLOYMENT. This Agreement begins on the Effective Date and, subject to the terms of Section 13, will end on the day immediately preceding the fifth anniversary of the Effective Date.

3. DUTIES.

A. Employee will serve as Chief Legal Officer of CBI. Employee will report to the President of CBI or such other officer of CBI as may be designated by the President of CBI.

B. Employee shall furnish such managerial, executive, financial, technical, and other skills, advice and assistance in operating CBI as Employer may request.

C. Employee shall also perform such other duties as are assigned to Employee by the CBI officer to whom Employee reports.

D. Employee shall devote Employee's entire time, attention, and energies to the business of Employer. The words "entire time, attention, and energies" are intended to mean that Employee shall devote his full effort during reasonable working hours to the business of Employer and shall devote at least 40 hours per week to the business of Employer. Employee shall travel to such places as are necessary in the performance of Employee's duties.

4. COMPENSATION.

A. Employee shall receive a base salary (the "Base Salary") of at least \$275,000 for each calendar year, subject to proration for any partial year, during the term of this Agreement. Such Base Salary, and any other amounts payable hereunder, shall be subject to withholding as required by law.

B. In addition to the Base Salary, Employee shall be entitled to receive an annual bonus (the "Bonus") for each calendar year for which services are performed under this Agreement. Any Bonus for a calendar year shall be payable after the conclusion of the calendar year in accordance with Employer's regular bonus payment policies. Employee shall be given a Bonus target of not less than \$125,000 per year, subject to proration for any partial year.

C. On at least an annual basis, Employee shall receive a formal performance review and be considered for Base Salary and/or Bonus target increases.

D. In addition to the Bonuses referred to in Section 4.B., the bonus otherwise payable to Frost & Jacobs in 1998 for Employee's dedicated service to Employer during 1997 shall be paid directly to Employee.

5. EXPENSES. All reasonable and necessary expenses incurred by Employee in the course of the performance of his duties to Employer shall be reimbursable in accordance with Employer's then current travel and expense policies.

6. BENEFITS.

A. In each year of this Agreement, Employee will be granted

options to purchase common shares of CBI at the time and on the terms approved by the Compensation Committee of CBI. All provisions of this Agreement which relate to the terms under which stock options will be granted to Employee are subject to approval by the Compensation Committee. Such options may be granted under CBI's 1997 Long Term Incentive Plan (the "1997 Plan") or similar stock option plan.

B. While Employee remains in the employ of Employer, Employee shall be entitled to participate in all of the various employee benefit plans and programs in which sixth level managers of CBI are participating.

C. Employee shall receive a restricted stock award of 20,000 common shares of CBI as of the Effective Date. All provisions of this Agreement which relate to the terms under which restricted stock will be granted to Employee are subject to approval by the Compensation Committee. Such award shall be made under the 1997 Plan on the terms set forth in Exhibit A. Such award shall be further subject to the terms of the 1997 Plan.

D. Notwithstanding anything contained herein to the contrary, the Base Salary and Bonuses otherwise payable to Employee shall be reduced by any benefits paid to Employee by Employer under Employer's Sickness and Accident Disability Plan and Long Term Disability Plan for Salaried Employees and under any other disability plan made available to Employee by Employer.

E. If Employee's employment with CBI is terminated for any reason prior to the fifth anniversary of the Effective Date, Employee or Employee's estate, as the case may be, shall be entitled to receive a lump sum payment, payable within 30 days after Employee's employment terminates, equal to the sum of (i) the present value, on the date Employee's employment terminates, of the non-vested portion (if any) of Employee's accrued benefit under

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Cincinnati Bell Management Pension Plan or any successor plan, plus (ii) the value, on the date Employee's employment terminates, of the non-vested portion (if any) of Employee's accrued benefit under Cincinnati Bell Inc. Retirement Savings Plan (the "Savings Plan") or any successor plan, plus (iii) the present value, on the date Employee's employment terminates, of the non-vested portion (if any) of Employee's accrued benefit under Cincinnati Bell Inc. Executive Deferred Compensation Plan or any successor plan.

F. To compensate Employee for the period Employee is not eligible to participate in the Savings Plan, Employee shall be entitled to receive \$10,000 on the first anniversary of the Effective Date, provided that Employee remains employed through that date. This payment shall not be used in the calculation of any benefits that are otherwise provided by Employer.

G. If Employee's employment with Employer is terminated after the fifth anniversary of the Effective Date for any reason other than those set forth in Sections 13.A., B. and C., Employer shall pay Employee an amount equal to two times Employee's annual Base Salary rate in effect on the date of termination.

7. CONFIDENTIALITY. Employer and its Affiliates are engaged in the telecommunications services, information services and telecommunications support services industries within the U.S. and world wide. Employee acknowledges that in the course of employment with the Employer, Employee will be entrusted with or obtain access to information proprietary to the Employer and its Affiliates with respect to the following (all of which information is referred to hereinafter collectively as the "Information"); the organization and management of Employer and its Affiliates; the names, addresses, buying habits and other special information regarding past, present and potential customers, employees and suppliers of Employer and its Affiliates; customer and supplier contracts and transactions or price lists of Employer, its Affiliates and their suppliers; products, services, programs and processes sold, licensed or developed by Employer and its Affiliates; technical data, plans and specifications, present and/or future development projects of Employer and its Affiliates; financial and/or marketing data respecting the conduct of the present or future phases of business of Employer and its Affiliates; computer programs, systems and/or software; ideas, inventions, trademarks, business information, know-how, processes, improvements, designs, redesigns, discoveries and developments of Employer and its Affiliates; and other information considered confidential by any of

the Employer, its Affiliates or customers or suppliers of Employer and its Affiliates. Employee agrees to retain the Information in absolute confidence and not to disclose the Information to any person or organization except as required in the performance of his duties for Employer, without the express written consent of Employer. For purposes of this Agreement, "Affiliate" means each direct and indirect subsidiary of CBI.

8. NEW DEVELOPMENTS. All ideas, inventions, discoveries, concepts, trademarks, or other developments or improvements, whether patentable or not, conceived by Employee, alone or with others, at any time during the term of Employee's employment, whether or not during working hours or on Employer's premises, which are within the scope of or related to the business operations of Employer or its Affiliates or that relate to Employer or Affiliates' work or project, present, past or contemplated, shall be and remain the exclusive property of Employer. Employee shall, do all things reasonably necessary to ensure ownership of such New Developments by Employer,

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including the execution of documents assigning and transferring to Employer, all of Employee's right, title and interest in and to such New Developments, and the execution of all documents required to enable Employer to file and obtain patents, trademarks and copyrights in the United States and foreign countries on any of such New Developments.

9. SURRENDER OF MATERIAL UPON TERMINATION. Employee hereby agrees that upon cessation of Employee's employment, for whatever reason and whether voluntary or involuntary, Employee will immediately surrender to Employer all of the property and other things of value in his possession or in the possession of any person or entity under his control that are the property of Employer or any of its Affiliates, including without limitation all personal notes, drawings, manuals, documents, photographs, or the like, including copies and derivatives thereof, relating directly or indirectly to any confidential information or materials or New Developments, or relating directly or indirectly to the business of Employer or any of its Affiliates.

10. REMEDIES.

A. EMPLOYER'S REMEDIES. Employer and Employee hereby acknowledge and agree that the services rendered by Employee to Employer, the information disclosed to Employee during and by virtue of his employment, and Employee's commitments and obligations to Employer and its Affiliates herein are of a special, unique and extraordinary character, and that the breach of any provision of this Agreement by Employee will cause Employer irreparable injury and damage, and consequently the Employer shall be entitled to, in addition to all other remedies available to it, injunctive and equitable relief to prevent a breach of this Agreement, or any part of it, and to secure the enforcement of this Agreement.

B. EMPLOYEE'S REMEDIES. Employee agrees to submit to final and binding arbitration any dispute, claim or controversy, whether for breach of this agreement or for violation of any of Employee's statutorily created or protected rights, arising between the parties that Employee would have been otherwise entitled to file or pursue in court or before any administrative agency (herein "claim"), and Employee waives all right to sue Employer, its Affiliates, and all of their agents, employees, officers and directors.

(i) This agreement to arbitrate and any resulting arbitration award are enforceable under and subject to the Federal Arbitration Act, 9 U.S.C. Section 1 ET SEQ. ("FAA"). If the FAA is held not to apply for any reason then Ohio Revised Code Chapter 2711 regarding the enforceability of arbitration agreements and awards will govern this Agreement and the arbitration award.

(ii) (a) All of Employee's claims must be presented at a single arbitration hearing under this Agreement. Any claim not raised at the arbitration hearing is waived and released. The arbitration hearing will take place in Cincinnati, Ohio.

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(a) The arbitration process will be governed by the Employment Dispute Resolution Rules of the American Arbitration Association ("AAA") except to the extent they are modified by this Agreement.

(b) Employee has had an opportunity to review the AAA rules and the requirement that Employee must pay a filing fee which Employer has agreed to split on an equal basis.

(c) The arbitrator will be selected from a panel of arbitrators chosen by the AAA in White Plains, New York. After the filing of a Request for Arbitration, the AAA will send simultaneously to Employer and Employee an identical list of names of five persons chosen from the panel. Each party will have 10 days from the transmittal date in which to strike up to two names, number the remaining names in order of preference and return the list to the AAA.

(d) Any pre-hearing disputes will be presented to the arbitrator for expeditious, final and binding resolution.

(e) The award of the arbitrator will be in writing and will set forth each issue considered and the arbitrator's findings of fact and conclusions of law as to each such issue.

(f) The remedy and relief that may be granted by the arbitrator are limited to lost wages, benefits, cease and desist and affirmative relief, compensatory, liquidated and punitive damages and reasonable attorney's fees, and will not include reinstatement or promotion. If the arbitrator would have awarded reinstatement or promotion, but for the prohibition in this Agreement, the arbitrator may award front pay. Compensatory, liquidated and punitive damages for breach of this Agreement, if awarded, may not exceed the greater of (i) the amount provided in case of a termination under Section 13.D, and (ii) the maximum amount otherwise payable under the applicable terms of this Agreement. Compensatory, liquidated and punitive damages, for a dispute, claim or controversy other than for breach of this Agreement, if awarded, are limited to a combined total of one year's salary. The arbitrator may assess to either party, or split, the arbitrator's fee and expenses and the cost of the transcript, if any, in accordance with the arbitrator's determination of the merits of each party's position, but each party will bear any costs for its witnesses and proof.

(g) Employer and Employee recognize that a primary benefit each derives from entering this Agreement is avoiding the delay and costs normally associated with litigation. Therefore, neither party will be entitled to conduct any discovery prior to the arbitration hearing except that: (i) Employer will furnish Employee with copies of all non-privileged documents in Employee's personnel file; (ii) if the claim is for discharge, Employee will furnish Employer with records of earnings and benefits relating to Employee's subsequent employment (including self-employment) and all documents relating to Employee's efforts to obtain subsequent employment; (iii) the parties will exchange copies of all documents they intend to introduce as

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evidence at the arbitration hearing at least 10 days prior to such hearing; (iv) Employee will be allowed (at Employee's expense) to take the depositions, for a period not to exceed four hours each of two representatives of Employer, and Employer will be allowed (at its expense) to depose Employee for a period not to exceed four hours; and (v) Employer or Employee may ask the arbitrator to grant additional discovery to the extent permitted by AAA rules upon a showing that such discovery is necessary.

(h) Nothing herein will prevent either party from taking the deposition of any witness where the sole purpose for taking the deposition is to use the deposition in lieu of the witness testifying at the hearing and the witness is, in good faith, unavailable to testify in person at the hearing due to poor health, residency and employment more than 50 miles from the hearing site, conflicting travel plans or other comparable reason.

(iii) Arbitration must be requested in writing no later than 6 months from the date of Employee's knowledge of the matter disputed by the claim. Employee's failure to initiate arbitration under this Agreement within

the time limits herein will be considered a waiver and release by Employee with respect to any claim subject to arbitration under this Agreement.

(iv) Employer and Employee consent that judgment upon the arbitration award may be entered in any federal or state court that has jurisdiction.

(v) Employee will not commence or pursue any litigation on any claim that is or was subject to arbitration under this Agreement.

(vi) All aspects of any arbitration procedure under this Agreement, including the hearing and the record of the proceedings, are confidential and will not be open to the public, except to the extent the parties agree otherwise in writing, or as may be appropriate in any subsequent proceedings between the parties, or as may otherwise be appropriate in response to a governmental agency or legal process.

11. COVENANT NOT TO COMPETE. During the three year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee will not engage in any business offering services related to the current business of Employer or any of its Affiliates in any capacity which requires or utilizes the skill, training and knowledge acquired by Employee while employed by Employer, whether such capacity be as a principal, partner, joint venturer, agent, employee, salesman, consultant, director or officer, where such position would involve Employee (i) in any business activity in competition with Employer or any of its Affiliates; (ii) in any position with any customer of Employer or any of its Affiliates which involves such customer's billing and/or billing related systems; or (iii) in any business that provides billing and/or billing related systems to third parties engaged in the communication business (including wireless, wireline and cable communication businesses). This restriction will be limited to the geographical area where Employer or any of its Affiliates is then engaged in such competing business activity or to such

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other geographical area as a court shall find reasonably necessary to protect the goodwill and business of Employer.

During the three year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee will not interfere with or adversely affect, either directly or indirectly, Employer's or Employer's Affiliates' relationships with any person, firm, association, corporation or other entity which is known by Employee to be, or is included on any listing to which Employee had access during the course of employment as a customer, client, supplier, consultant or employee of Employer or any of its Affiliates and that Employee will not divert or change, or attempt to divert or change, any such relationship to the detriment of Employer or any of its Affiliates or to the benefit of any other person, firm, association, corporation or other entity.

During the three year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee shall not, without the prior written consent of Employer, accept employment, as an employee, consultant, or otherwise, with any company or entity which is a customer or supplier of Employer or any of its Affiliates at any time during the final year of Employee's employment with Employer.

Employee will not, during or at any time after the termination of Employee's employment with Employer, induce or seek to induce, any other employee of Employer or any of its Affiliates to terminate his or her employment relationship with Employer or the Affiliate which employs such other employee.

12. GOODWILL. Employee will not disparage or act in any manner, directly or indirectly, which may damage the business of Employer or any of its Affiliates or which would adversely affect the goodwill, reputation, and business relationships of Employer or any of its Affiliates with the public generally, or with any of their customers, suppliers or employees.

13. TERMINATION.

A. (i) Employer or Employee may terminate this Agreement upon Employee's failure or inability to perform the services required hereunder because of any physical or mental infirmity for which Employee receives disability benefits under Employer's Sickness and Accident Disability Benefit Plan and/or Employer's Long Term Disability Plan for Salaried Employees as the case may be (the "Plans"), over a period of one hundred twenty consecutive working days during any twelve consecutive month period (a "Terminating Disability").

(i) If Employer or Employee elects to terminate this Agreement in the event of a Terminating Disability, such termination shall be effective immediately upon the giving of written notice by the terminating party to the other.

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(ii) Upon termination of this Agreement on account of Terminating Disability, Employer shall pay Employee his accrued compensation hereunder, whether Base Salary or otherwise (subject to offset for any amounts received pursuant to the Plans), to the date of termination. For as long as such Terminating Disability may exist, Employee shall continue to be an employee of Employer for all other purposes and Employer shall provide Employee with disability benefits and all other benefits according to the provisions of the Plans and any other Employer plans in which Employee is then participating.

(iii) If the parties elect not to terminate this Agreement upon an event of a Terminating Disability and Employee returns to active employment with Employer prior to such a termination, or if such disability exists for less than one hundred twenty consecutive working days, the provisions of this Agreement shall remain in full force and effect.

B. This Agreement terminates immediately and automatically on the death of Employee, provided, however, that the Employee's estate shall be paid Employee's accrued compensation hereunder, whether Base Salary or otherwise, to the date of death.

C. Employer may terminate this Agreement immediately for Cause. For purposes of this Agreement, Employer shall have Cause to terminate this Agreement only if the CBI Board of Directors determines that there has been fraud, misappropriation or embezzlement on the part of Employee.

D. Employer may terminate this Agreement upon 60 days written notice for any reason other than those set forth in Sections 13.A., B. and C. In the event of a Termination under this Section 13.D., Employer shall pay Employee (i) an amount equal to two times the sum of the annualized Base Salary as it exists at the time of termination plus the annualized Bonus target as it exists at the time of termination, plus (ii) the amount (if any) called for under Section 6.E. In addition, the restrictions applied to the restricted stock awarded to Employee under Section 6.C shall lapse.

E. Upon Termination of this Agreement as a result of an event of termination described in this Section 13 and except for Employer's payment of the required payments under this Section 13, all further compensation under this Agreement shall terminate; provided, however, that all qualified deferred compensation which Employee may be entitled to receive pursuant to any of Employer's pension or profit sharing plans in which Employee may participate during Employee's employment with Employer shall be paid pursuant to the provisions of such plans at such times as any such amounts become payable to Employee. It is further understood that for purposes of this Section 13, the term "accrued compensation" shall include all non-qualified deferred compensation, of whatever type or form, either previously granted to Employee by Employer or otherwise earned or received by Employee.

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F. The termination of this Agreement shall not amend, alter or modify the rights and obligations of the parties under Sections 6.E., 6.G., 7, 8, 9, 10, 11, and 12 hereof, the terms of which shall survive the

termination of this Agreement.

14. ASSIGNMENT. As this is an agreement for personal services involving a relation of confidence and trust between Employer and Employee, all rights and duties of Employee arising under this Agreement, and the Agreement itself, are nonassignable by Employee.

15. NOTICES. Any notice required or permitted to be given under this Agreement shall be sufficient, if in writing, and if delivered personally or by certified mail to Employee at his place of residence as then recorded on the books of Employer or to Employer at its principal office.

16. WAIVER. No waiver or modification of this Agreement or the terms contained herein shall be valid unless in writing and duly executed by the party to be charged therewith. The waiver by any party hereto of a breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach by such party.

17. GOVERNING LAW. This Agreement shall be governed by the laws of the State of Ohio.

18. ENTIRE AGREEMENT. This Agreement contains the entire agreement of the parties with respect to Employee's employment by Employer. There are no other contracts, agreements or understandings, whether oral or written, existing between them except as contained or referred to in this Agreement.

19. SEVERABILITY. In case any one or more of the provisions of this Agreement is held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or other unenforceability shall not affect any other provisions hereof, and this Agreement shall be construed as if such invalid, illegal or unenforceable provisions have never been contained herein.

20. SUCCESSORS AND ASSIGNS. Subject to the requirements of Section 14 above, this Agreement shall be binding upon Employee, Employer and Employer's successors and assigns.

21. CONFIDENTIALITY OF AGREEMENT TERMS. The terms of this Agreement shall be held in strict confidence by Employee and shall not be disclosed by Employee to anyone other than Employee's spouse, Employee's legal counsel, and Employee's other advisors. Further, except as provided in the preceding sentence, Employee shall not reveal the existence of this Agreement or discuss its terms with any person (including but not limited to any employee of Employer or its Affiliates) without the express authorization of the President of CBI.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

CINCINNATI BELL INC.

By /s/ John T. LaMacchia

John T. LaMacchia, President

EMPLOYEE

/s/ William D. Baskett III

William D. Baskett III

RESTRICTED STOCK AWARD
UNDER THE PROVISIONS OF
THE CINCINNATI BELL INC.
1997 LONG TERM INCENTIVE PLAN

NAME OF EMPLOYEE: WILLIAM D. BASKETT, III
AWARD DATE: JANUARY 2, 1998
NUMBER OF RESTRICTED SHARES: 20,000

Pursuant to the provisions of the Cincinnati Bell Inc. 1997 Long Term Incentive Plan (the "Plan"), a copy of which has been delivered to you, the Compensation Committee of the Board of Directors of Cincinnati Bell Inc. (the "Compensation Committee") has granted you an award of 20,000 common shares, par value \$1.00 per share, of Cincinnati Bell Inc. (the "Shares"), on and subject to the terms of the Plan and your agreement to the following terms, conditions and restrictions.

1. SECURITIES SUBJECT TO THIS AGREEMENT. This Agreement is made with respect to the Shares and any securities (including additional common shares of Cincinnati Bell Inc. (the "Company")) issued in respect of the Shares, whether by way of a share dividend, a share split, any reorganization or recapitalization of the Company or its stock or any merger, exchange of securities or like event or transaction as the result of which any security or securities of any kind are issued to you by reason of your ownership of the Shares. Reference herein to the Shares shall include any such securities issued in respect of the Shares.

2. RIGHTS OF OWNERSHIP. Except for the Restrictions (as defined in Section 3 hereof and subject to the provisions regarding forfeiture set forth in Section 8 hereof, you are the record and beneficial owner of the Shares, with all rights and privileges (including but not limited to the right to vote, to receive dividends and to receive distributions upon liquidation of the Company) appertaining thereto.

3. RESTRICTIONS. Neither the Shares nor any interest therein may be transferred or conveyed by you in any manner whatsoever, whether or not for consideration (the "Restrictions"), except upon the passage of time or occurrence of events as specified in Sections 4, 5, 6, and 7 hereof.

4. LAPSE. The Restrictions shall lapse and be of no further force and effect as to 12,000 shares on December 31, 2000, as to an additional 4,000 shares on December 31, 2001, and as to the remaining 4,000 shares on December 31, 2002.

5. TERMINATION OF RESTRICTIONS - DEATH. In the event of your death while employed by the Company or any of its subsidiaries the Restrictions shall terminate and be of no further force or effect, effective as of the date of death: (a) if death occurs prior to December 31, 2000, with respect to the number of Shares (rounded up to the nearest whole Share) remaining subject to Restrictions immediately prior to death that bears the same ratio to the total number of Shares remaining subject to Restrictions immediately prior to death as the number of days from January 1, 1998 through the date of your death bears to the number of days from January 1, 1998 through December 31, 2002; (b) if death occurs on or after January 1, 2000 and prior to December 31, 2001, with respect to the number of Shares (rounded up to the nearest whole Share) remaining subject to

Restrictions immediately prior to death that bears the same ratio to the total number of Shares remaining subject to Restrictions immediately prior to death as the number of days from January 1, 2000 through the date of your death bears to the number of days from January 1, 2000 through December 31, 2002; and (c) if death occurs on or after January 1, 2001 and prior to December 31, 2002, with respect to the number of Shares (rounded up to the nearest whole Share) remaining subject to Restrictions immediately prior to death that bears the same ratio to the total number of Shares remaining subject to Restrictions immediately prior to death as the number of days from January 1, 2001 through the date of your death bears to the number of days from January 1, 2001 through December 31, 2002. Any Shares which remain subject to the Restrictions after the calculation prescribed in the preceding sentence shall be forfeited to the Company as of your date of death. Upon the Restrictions terminating with respect to certain Shares, the executor, administrator or other personal representative of your estate, or the trustee of any trust becoming entitled thereto be reason of your death, may transfer

the unrestricted Shares to any person or persons entitled thereto under your will or under your trust or other instrument (or in the absence of any will under the laws of descent and distribution) governing the distribution of your estate in the event of your death.

6. TERMINATION OF RESTRICTIONS - DISABILITY. If you (a) shall become disabled and as a result thereof cease to be an employee of the Company or any of its subsidiaries under and pursuant to applicable disability provisions of any employment contract to which you and the Company or any of its subsidiaries are parties or, (b) shall become disabled to such extent that you are unable to perform the usual duties of your job for a period of 12 consecutive weeks or more and if as the result thereof the Compensation Committee approves the termination of your employment within 12 months following the first day of the 12 consecutive week period on terms that include the right to transfer the Shares free of the Restrictions, then and in either such event the Restrictions shall terminate and be of no further force and effect as of the date you cease to be an employee in the same manner as prescribed in the event of death outlined in Section 5 above.

7. TERMINATION OF RESTRICTIONS - TERMINATION WITHOUT CAUSE. In the event that your employment is terminated without Cause (within the meaning of Section 13.C of your Employment Agreement dated January 1, 1998), the Restrictions shall terminate and be of no further force and effect as of the date you cease to be an employee in the same manner as prescribed in the event of death outlined in Section 5 above.

8. FORFEITURE. If you cease to be an employee of the Company or any of its subsidiaries, except as provided in Section 4, 5, 6, and 7 hereof, any Shares which remain subject to the Restrictions of the date such employment terminates shall be at once forfeited to the Company as of the date of such termination of employment (the "Forfeiture Date"). Upon such forfeiture all of your rights in respect of such Shares shall cease automatically and without further action by the Company or you. For the purpose of giving effect to this provision, you have executed and delivered to the Company a stock power with respect to each certificate evidencing any of the Shares, thereby assigning to the Company all of your interest in the Shares. By the execution and delivery of this Agreement, you authorize and empower the Company, in the event of a forfeiture of any of the Shares under this Section 9 to (a) date (as of the Forfeiture Date) those stock powers relating to Shares that remain subject to the Restrictions as of the

Forfeiture Date and (b) present such stock powers and the certificates to which they relate to the Company's transfer agent or other appropriate party for the sole purpose of transferring the forfeited Shares to the Company.

9. MATTERS RELATING TO CERTIFICATES.

(a) Upon their issuance, the certificates representing the Shares shall be deposited with the Secretary of the Company and shall be released to you only pursuant to the provisions of this Section 10.

(b) Each certificate for Shares issued to you in accordance with this Agreement shall bear the following legend:

"THE SHARES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS OF A RESTRICTED STOCK AGREEMENT BETWEEN THE REGISTERED HOLDER HEREOF AND CINCINNATI BELL INC., DATED AS OF JANUARY 2, 1998, AND MAY NOT BE TRANSFERRED BY THE HOLDER, EXCEPT AS PROVIDED BY THE TERMS OF SUCH AGREEMENT, A COPY OF WHICH IS ON DEPOSIT WITH THE SECRETARY OF CINCINNATI BELL INC. AND WHICH WILL BE MAILED TO A SHAREHOLDER OF CINCINNATI BELL INC. WITHOUT CHARGE WITHIN FIVE DAYS AFTER RECEIPT OF A WRITTEN REQUEST."

Upon the lapse or termination of the Restrictions as to any Shares, the certificate evidencing such Shares shall be promptly presented to the Company's transfer agent or other appropriate party with instructions to cause such certificate to be reissued, to the extent appropriate, in your name and without the foregoing legend. Any Shares evidenced by such certificate which remain subject to the Restrictions shall be evidenced by a new certificate, bearing the foregoing legend, which shall be returned to the Company. Upon the lapse or termination of the Restrictions as to any Shares, the stock power or powers held by the Company with respect to such Shares shall be surrendered to you (in exchange, if applicable, for a stock power

relating to any Shares which remain subject to the Restrictions).

10. INTERPRETATION. You acknowledge that the Compensation Committee has the authority to construe and interpret the terms of the Plan and this Agreement if and when any questions of meaning arises under the Plan or this Agreement, and any such construction or interpretation shall be binding on you, your heirs, executors, administrators, personal representatives and any other persons having or claiming to have an interest in the Shares.

11. WITHHOLDING. In connection with the award of Shares to you and any dividend payments made while such Shares remain subject to restrictions hereunder, the Company will withhold or cause to be withheld from your salary payments such amounts of tax at such times as may be required by law to be withheld with respect to the Shares and/or dividends, provided that if your salary is not sufficient for such purpose, you shall remit to the Company, on request, the amount required for such withholding taxes. Within 45 days after issuance of the certificates representing the Shares, you shall advise the Company in writing whether or not you have made an election, under Section 83(b) of the Internal Revenue Code of 1986, to include the fair market value of the Shares in your gross income for the calendar year in which the certificates are issued.

12. NOTICES. All notices and other communications to be given hereunder shall be in writing and shall be deemed to have been duly given when delivered personally or when deposited in the United States mail, first class postage prepaid, and addressed as follows:

TO THE COMPANY: Cincinnati Bell Inc.
201 East Fourth Street, RM. 102-2060
Cincinnati, Ohio 45202
Attention: Secretary of the Compensation Committee

TO THE EMPLOYEE: William D. Baskett, III
Cincinnati, Ohio 45202

or to any other address as to which notice has been given in the manner herein provided.

13. MISCELLANEOUS. This Agreement shall be binding upon the parties hereto and their respective heirs, executors, administrators, personal representatives, successors and assigns. Subject to the provisions of the Plan, this Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and shall be construed and interpreted in accordance with the laws of the State of Ohio. This Agreement may not be amended except in a writing signed by each of the parties hereto. If any provisions of this Agreement shall be deemed to be invalid or void under any applicable law, the remaining provisions hereof shall not be affected thereby and shall continue in full force and effect.

Please indicate your acceptance by signing at the place provided and returning this Agreement.

COMPENSATION COMMITTEE OF
THE BOARD OF DIRECTORS OF
CINCINNATI BELL INC.

Dated: January 2, 1998

By: /s/ Connie Johnston
Secretary

Dated: January 15, 1998

/s/ William D. Baskett III
Accepted and Agreed

AMENDMENT TO
CINCINNATI BELL INC.
EXECUTIVE DEFERRED COMPENSATION PLAN

Section 2.1.9 of the Cincinnati Bell Inc. Executive Deferred Compensation Plan is hereby amended, effective January 1, 1996, to read as follows:

2.1.9 "Key Employee" means, with respect to any calendar year, an Employee whose base pay and target bonus for the 12-month period immediately preceding the calendar year total at least \$150,000 and who has been designated by the Employee's Company as a "Key Employee" for the calendar year.

IN WITNESS WHEREOF, the Compensation Committee of the Board of Directors of Cincinnati Bell Inc. has caused its name to be subscribed on the 11th day of December, 1995.

COMPENSATION COMMITTEE OF THE
BOARD OF DIRECTORS OF
CINCINNATI BELL INC.

BY: (s) James D. Kiggen

CINCINNATI BELL INC.

EXECUTIVE DEFERRED COMPENSATION PLAN

(As amended and restated effective January 1, 1998)

SECTION 1

NAME AND PURPOSE OF PLAN

1.1 NAME. The plan set forth herein shall be known as the Cincinnati Bell Inc. Executive Deferred Compensation Plan (the "Plan").

1.2 PURPOSE. The purpose of the Plan is to provide deferred compensation for a select group of officers and highly compensated employees of Cincinnati Bell Inc. and its affiliates.

SECTION 2

GENERAL DEFINITIONS; GENDER AND NUMBER

2.1 GENERAL DEFINITIONS. For purposes of the Plan, the following terms shall have the meanings hereinafter set forth unless the context otherwise requires:

2.1.1 "Accounts" means, collectively, all outstanding Cash Deferral Accounts, Share Deferral Accounts, Restricted Stock Accounts and Company Matching Accounts maintained for a Key Employee.

2.1.2 "Beneficiary" means the person or entity designated by a Key Employee, on forms furnished and in the manner prescribed by the Committee, to receive any benefit payable under the Plan after the Key Employee's death. If a Key Employee fails to designate a beneficiary or if, for any reason, such designation is not effective, his "Beneficiary" shall be his surviving spouse or, if none, his estate.

2.1.3 "CBI" means Cincinnati Bell Inc.

2.1.4 "CBI Shares" means common shares of CBI.

2.1.5 "Company" means CBI, each corporation which is a member of a controlled group of corporations (within the meaning of section 414(b) of the Code, as modified by section 415(h) of the Code) which includes CBI, each trade or business (whether or not incorporated) which is under common control (within the meaning of section 414(c) of the Code as modified by section 415(h) of the Code) with CBI, each

member of an affiliated service group (within the meaning of section 414(m) of the Code) which includes CBI and each other entity required to be aggregated with CBI under section 414(o) of the Code.

2.1.5 "Code" means the Internal Revenue Code of 1986 as such Code now exists or is hereafter amended.

2.1.6 "Committee" means Compensation Committee of the Board of Directors of CBI.

2.1.7 "Employee" means any person who is an employee of a Company.

2.1.8 "Key Employee" means, with respect to any calendar year ("Subject Year"), an Employee whose base pay and target bonus for the calendar year immediately preceding the Subject Year total at least \$150,000 (or, in the case of an Employee hired during the Subject Year, whose annualized rate of base pay and annualized target bonus for the Subject Year total at least \$150,000) and who has been designated by the Employee's Company as a "Key Employee" for the Subject Year.

2.2 GENDER AND NUMBER. For purposes of the Plan, words used in any

gender shall include all other genders, words used in the singular form shall include the plural form, and words used in the plural form shall include the singular form, as the context may require.

SECTION 3

DEFERRALS; COMPANY MATCH

3.1 ELECTION OF DEFERRALS.

3.1.1 Subject to such rules as the Committee may prescribe, a Key Employee may elect to defer up to 75% of his Basic Salary for any calendar year (or such larger percentage of his Basic Salary as may be prescribed by the Committee) by completing a deferral form and filing such form with the Committee prior to January 1 of such calendar year (or such earlier date as may be prescribed by the Committee). Notwithstanding the foregoing, if an Employee first becomes a Key Employee after the first day of a calendar year, such Key Employee may elect to defer a permissible percentage of his Basic Salary for the remainder of the calendar year by completing and signing a deferral form provided by the Committee and filing such form with the Committee within 30 days of the date which he first becomes a Key Employee. Any election under the preceding sentence shall be effective as of the first payroll period beginning after the date the election is filed. For purposes of the Plan, "Basic Salary" means the basic salary payable to a Key Employee by a Company.

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3.1.2 Subject to such rules as the Committee may prescribe, a Key Employee may elect to defer up to 100% or a specific dollar amount (not less than \$1,000) of any Cash Award otherwise payable during the calendar year by completing a deferral form and filing such form with the Committee prior to January 1 of such calendar year (or such earlier date as may be prescribed by the Committee). For purposes of the Plan, "Cash Award" means an award or bonus payable in cash to a Key Employee by a Company, including a cash award under CBI's 1988 Long Term Incentive Plan, 1997 Long Term Incentive Plan or Short Term Incentive Plan.

3.1.3 Subject to such rules as the Committee may prescribe, a Key Employee may elect to defer up to 100% of any Share Award otherwise payable during a calendar year by completing a deferral form and filing such form with the Committee prior to January 1 of such calendar year (or such earlier date as maybe prescribed by the Committee). For purposes of the Plan, "Share Award" means an award under CBI's 1988 Long Term Incentive Plan or 1997 Long Term Incentive Plan which is payable in the form of CBI Shares, provided that stock option awards and awards of restricted stock shall not be considered "Share Awards" for purposes of the Plan.

3.1.4. Subject to such rules as the Committee may prescribe, a Key Employee who has received a Restricted Stock Award may elect to surrender any of the restricted CBI Shares as of any date permitted by the Committee (not later than six months prior to the date on which the restrictions otherwise applicable to such shares would lapse). For purposes of the Plan, "Restricted Stock Award" means an award of CBI Shares under CBI's 1988 Long Term Incentive Plan or 1997 Long Term Incentive Plan which is in the form of restricted stock.

3.2 CHANGING DEFERRALS. Subject to such rules as the Committee may prescribe, a Key Employee who has elected to defer a portion of his Basic Salary, Cash Award, or Share Award may change the amount of his deferral from one permissible amount to another, effective as of any January 1, by completing and signing a new deferral form and filing such form with the Committee prior to such January 1 (or such earlier date as may be prescribed by the Committee).

3.3 SUSPENDING DEFERRALS.

3.3.1 Subject to such rules as the Committee may prescribe, a Key Employee who has elected to defer a portion of his Basic Salary may suspend such election, as of the first day of any payroll period, by completing and signing a form provided by the Committee and filing such form with the Committee prior to the first day of such payroll period. A Key Employee who has suspended his election for deferrals in accordance with this Section

3.3.1 may again elect to defer a portion of his Basic Salary, effective as of any January 1 following the six month period beginning on the effective date of the suspension, by completing and signing a new deferral form and filing such form with the Committee prior to such January 1 (or such earlier date as may be prescribed by the Committee).

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3.3.2 A Key Employee's election to defer a portion of a Cash Award or Share Award or to surrender any portion of a Restricted Stock Award may not be revoked during the calendar year.

3.4 COMPANY MATCH. As of each day on which Basic Salary or Cash Award deferrals are credited, under Section 4.1, to the Cash Deferral Account of a Key Employee who is not a Class 1 Senior Manager under the Cincinnati Bell Inc. Pension Program ("Deferral Date"), there shall also be credited to such Key Employee's Company Matching Account under Section 4.3, an amount computed in accordance with the provisions of this Section 3.4

3.4.1 To the extent that the Key Employee's aggregate non-deferred Basic Salary and Cash Awards for the calendar year through the Deferral Date are not in excess the maximum dollar amount permitted for such year under section of 401(a)(17) of the Code, the Company match to be credited to such Key Employee's Company Matching Account on the Deferral Date shall be 4% (or such lesser percentage as may be prescribed by the Committee) of the Basic Salary and Cash Award deferred on the Deferral Date.

3.4.2 To the extent that the Key Employee's aggregate non-deferred Basic Salary and Cash Awards for the calendar year through the Deferral Date exceed the maximum dollar amount permitted for such year under section 401(a)(17) of the Code, the Company match to be credited to such Key Employee's Company Matching Account on the Deferral Date shall be the lesser of (a) 66-2/3% (or such lesser percentage as may be prescribed by the Committee) of the Basic Salary and Cash Award deferred on the Deferral Date or (b) 4% (or such lesser percentage as may be prescribed by the Committee) of the sum of (i) that portion of the Basic Salary and Cash Award deferred on the Deferral Date plus (ii) that portion of the Key Employee's Basic Salary and Cash Award paid on the Deferral Date.

For purposes of this Section 3.4, the term "Cash Award" shall not include any amounts payable under CBI's 1988 Long Term Incentive Plan or 1997 Long Term Incentive Plan or any other long term incentive plan maintained by a Company and such amounts shall not be eligible for a Company match under this Section 3.4

SECTION 4

MAINTENANCE AND VALUATION OF ACCOUNTS

4.1 CASH DEFERRAL ACCOUNTS. There shall be established for each Key Employee who has elected to defer a portion of his Basic Salary or Cash Award under Section 3.1.1 or 3.1.2 a separate Account, called a Cash Deferral Account, which shall reflect the amounts deferred by the Key Employee and the assumed investment thereof. Subject to such rules as the Committee may prescribe, any amount deferred by a Key

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Employee under Section 3.1.1 or 3.1.2 shall be credited to the Key Employee's Cash Deferral Account as of the day on which such deferred amount would have otherwise been paid to the Key Employee and shall be assumed to have been invested in the investments designated by the Key Employee on a form provided by and filed with the Committee

4.2 SHARE DEFERRAL ACCOUNTS. There shall be established for each Key Employee who has elected to defer all or a portion of a Share Award under Section 3.1.3 a separate Account, called a Share Deferral Account, which shall reflect the amounts deferred by the Key Employee under Section 3.1.3 and the assumed investment thereof. Subject to such rules as the Committee may prescribe, the amount deferred by a Key Employee under Section 3.1.3 shall be credited to the Key Employee's Share Deferral Account as of the day

on which such amount would have otherwise been paid to the Key Employee. Amounts credited to the Key Employee's Share Deferral Account shall be assumed to have been invested exclusively in CBI Shares.

4.3 RESTRICTED STOCK ACCOUNTS. There shall be established for each Key Employee who has elected to surrender all or a portion of a Restricted Stock Award under Section 3.1.4 a separate Account, called a Restricted Stock Account, which shall reflect the value of the CBI Shares surrendered by the Key Employee under Section 3.1.4 and the assumed investment thereof. Subject to such rules as the Committee may prescribe, an amount equal to the value of the CBI Shares surrendered by the Key Employee under Section 3.1.4 shall be credited to the Key Employee's Restricted Stock Account as of the day on which the CBI Shares are surrendered to CBI. Amounts credited to the Key Employee's Restricted Stock Account shall be assumed to have been invested exclusively in CBI Shares until six months after the Applicable Lapse Date for the surrendered CBI Shares. Thereafter, such amounts shall be assumed to have been invested in the investments designated by the Key Employee on a form provided by and filed with the Committee. For purposes of the Plan, "Applicable Lapse Date" means, with respect to any Restricted Stock Award, the date on which the restrictions would have lapsed if the restricted CBI Shares had not been surrendered.

4.4 COMPANY MATCHING ACCOUNTS. There shall be established for each Key Employee who is entitled to a Company match under Section 3.4 a separate Account called a Company Matching Account, which shall reflect the Company match to be credited on behalf of the Key Employee under Section 3.4 and the assumed investment thereof. The amount of the Company's match shall be credited to the Key Employee's Company Matching Account as of the day on which the deferred Basic Salary or Cash Award to which the Company match relates would have otherwise been paid to the Key Employee. Amounts credited to the Key Employee's Company Matching Account shall be assumed to have been invested in the investments designed by the Key Employee on a form provided by and filed with the Committee.

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4.5 VALUATION. As soon as practical following the end of each calendar year, each Key Employee or, in the event of his death, his Beneficiary, shall be furnished a statement as of December 31 showing the balance of the Key Employee's Accounts, the total credits to such Accounts during the preceding calendar year, and, if amounts credited to any such Accounts are assumed to have been invested in securities, a description of such securities including the number of shares assumed to have been purchased by the amounts credited to such Accounts.

4.6 CBI SHARES. To the extent Key Employee's Accounts are assumed to have been invested in CBI Shares:

4.6.1. Whenever any cash dividends are paid with respect to CBI Shares, additional amounts shall be credited to the Key Employee's Accounts as of the dividend payment date. The additional amount to be credited to each account shall be determined by multiplying the per share cash dividend paid with respect to the CBI Shares on the dividend payment date by the number of assumed CBI Shares credited to the Key Employee's Accounts on the day preceding the dividend payment date. Such additional amount credited to the Key Employee's Account shall be assumed to have been invested in additional CBI Shares on the day on which such dividends are paid.

4.6.2. If there is any change in CBI Shares through the declaration of a stock dividend or a stock split or through a recapitalization resulting in a stock split, or a combination or a change in shares, the number of shares assumed to have been purchased for each Account shall be appropriately adjusted.

4.6.3 Whenever CBI Shares are to be valued for purposes of the Plan, the value of each such share shall be the average of the high and low price per share as reported on the composite tape on the last business day preceding the date as of which the distribution is made or, if no sales were made on that date, on the next preceding day on which sales were made.

DISTRIBUTION

5.1 GENERAL. Except as otherwise provided in Section 5.5, no amount shall be paid with respect to a Key Employee's Accounts while he remains an Employee. Unless the Committee otherwise provides, all payments with respect to a Key Employee's Accounts shall be made by the Company which otherwise would have paid the Basic Salary, Cash Award, Share Award or Restricted Stock Award deferred by the Key Employee.

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5.2 TERMINATION OF EMPLOYMENT. A Key Employee may elect to receive the amounts credited to his Accounts in up to ten annual installment payments, commencing on the first business day of March of the calendar year following the calendar year in which he ceases to be an Employee. If a Key Employee fails to make such election, the amounts credited to the Key Employee's Account shall be paid to the Key Employee in two annual installments with the first installment being made on the first business day of March of the calendar year following the calendar year in which the Key Employee ceases to be an Employee.

5.2.1. The amount of each annual installment payable under this Section 5.2 shall be, at the election of the Key Employee, either (1) a specific dollar amount specified by the Key Employee (not less than \$50,000 or more than \$1,000,000), or (2) a fraction of the amounts credited to the Key Employee's Accounts as of the installment payment date, the numerator of which is 1 and the denominator of which is equal to the total number of installments remaining to be paid (including the installment to be paid on the subject installment payment date). If a Key Employee elects (2) above and the amount of any annual installment is less than \$50,000 or more than \$1,000,000, it shall be increased to \$50,000 or reduced to \$1,000,000, as the case may be; provided that if the remaining amount credited to the Accounts on any annual installment date is less than \$50,000, the payment shall be the amount necessary to reduce the amount credited to the Account to \$0.

5.2.2. Any election under this Section 5.2 must be made prior to the effective date of the Key Employee's termination and within the time prescribed by the Key Employee's Company but in no event later than four months prior to the effective date of the Key Employee's termination. With the consent of the Committee, and subject to such rules as the Committee may prescribe, a Key Employee may elect (a) to receive the amounts credited to his Accounts in up to 120 monthly installments and (b) to accelerate the time at which any payment may be made (to a date not earlier than the date on which he ceases to be an Employee).

5.2.3. In its discretion, the Committee may condition the right to receive payments with respect to a portion of all of a Key Employee's Company Matching Account on the Key Employee's completing a minimum period of service prior to the date on which he ceases to be an Employee. To the extent that a Key Employee has not satisfied any applicable service requirements prior to the date on which he ceases to be an Employee (other than by reason of his death), he shall not be entitled to receive any payment with respect to his Company Matching Account.

5.2.4. In the case of a Restricted Stock Account, amounts credited to such Account under Section 4.3 shall be subject to forfeiture at the same time and to the same extent that the CBI Shares surrendered under Section 3.1.4 would have been if such CBI Shares had not been surrendered. The provisions of this Section 5.2.4 shall not apply to amounts credited to the Restricted Stock Account under Section 4.6.1

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5.3 DEATH. Except as provided in Section 5.2.4, if a Key Employee ceases to be a Employee by reason of his death, or if a Key Employee dies after ceasing to be an Employee but before the amounts credited to his Accounts have been paid, the amounts credited to the Key Employee's Accounts shall be paid to the Key Employee's Beneficiary in one lump sum as of the first business day of the third quarter following the date of the Key Employee's death; provided, however, that if the Key Employee has elected to

have his Accounts distributed in installments and if he dies after distribution has commenced, the remaining installments shall be paid to the Beneficiary as they become due.

5.4 FORM OF PAYMENT. Payments with respect to assumed investments other than CBI Shares shall be made in cash. Payments with respect to assumed investments in CBI Shares shall be made in CBI Shares or cash, in the discretion of the Committee.

5.5 CHANGE IN CONTROL. If a Change in Control of CBI occurs, each Key Employee's Plan Accounts shall be paid to him in one lump sum as of the day next following the date on which such Change in Control occurred. A "Change in Control of CBI" shall be deemed to have occurred if (i) a tender offer shall be made and consummated for the ownership of 30% or more of the outstanding voting securities of CBI; (ii) CBI shall be merged or consolidated with another corporation and as a result of such merger or consolidation less than 75% of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the former shareholders of CBI, other than affiliates (within the meaning of the Securities Exchange Act of 1934) of any party to such merger or consolidation, as the same shall have existed immediately prior to such merger or consolidation; (iii) CBI shall sell substantially all of its assets to another corporation which is not a wholly owned subsidiary; (iv) a person within the meaning of Section 3 (a) (9) or of Section 13(d) (3) (as in effect on January 1, 1994) of the Securities Exchange Act of 1923, shall acquire 20% or more of the outstanding voting securities of CBI (whether directly, indirectly, beneficially or of record), or a person, within the meaning of Section 3(a) (9) or Section 13(d) (3) (as in effect on January 1, 1994) of the Securities Exchange Act of 1934 controls in any manner the election of a majority of the directors of CBI; or (v) within any period of two consecutive years after January 1, 1994, individuals who at the beginning of such period constitute CBI's Board of Directors cease for any reason to constitute at least a majority thereof, unless the election of each director who was not a director at the beginning of such period has been approved in advance by directors representing at least two-thirds of the directors then in office who were directors at the beginning of the period. For purposes hereof, ownership of voting securities shall take into account and shall include ownership as determined by applying the provisions of Rule 13d-3(d) (1) (i) (as in effect on January 1, 1994) pursuant to the Exchange Act of 1934.

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SECTION 6

ADMINISTRATION OF THE PLAN

6.1 GENERAL. The general administration of the Plan and the responsibility for carrying out its provisions shall be placed in the Committee.

6.2 EXPENSES. Expenses of administering the Plan shall be shared by each Company participating in this Plan in such proportions as may be determined by CBI.

6.3 COMPENSATION OF COMMITTEE. The members of the Committee shall not receive compensation for their services as such, and, except as required by law, no bond or other security need be required of them in such capacity in any jurisdiction.

6.4 RULES OF PLAN. Subject to the limitations of the Plan, the Committee may, from time to time, establish rules for the administration of the Plan and the transaction of its business. The Committee may correct errors, however arising, and as far as possible, adjust any benefit payments accordingly. The determination of the Committee as to the interpretation of the provisions of the Plan or any disputed question shall be conclusive upon all interested parties.

6.5 AGENTS AND EMPLOYEES. The Committee may authorize one or more agents to execute or deliver any instrument. The Committee may appoint or employ such agents, counsel (including counsel of any Company), auditors (including auditors of any Company), physicians, clerical help and actuaries as in the Committee's judgment may seem reasonable or necessary for the proper administration of the Plan.

6.6 INDEMNIFICATION. Each Company participating in the Plan shall indemnify each member of the Committee for all expenses and liabilities (including reasonable attorney's fees) arising out of the administration of the Plan, other than any expenses of liabilities resulting from the Committee's own gross negligence or willful misconduct. The foregoing right of indemnification shall be in addition to any other rights to which the members of the Committee may be entitled as a matter of law.

SECTION 7

FUNDING OBLIGATION

No Company shall have any obligation to fund, either by the purchase of CBI Shares or the investment in any account or by any other means, its obligation to Key Employees hereunder. If, however, a Company does elect to allocate assets to provide for any such obligation, the assets allocated for such purpose shall be assets of the Company subject to claims against the Company, including claims of the Company's creditors, to

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the same extent as are other corporate assets, and the Key Employee shall have no right or claim against the assets so allocated, other than as general creditors of the Company.

SECTION 8

AMENDMENT AND TERMINATION

The Committee or CBI may, without the consent of any Key Employee or Beneficiary, amend or terminate the Plan at any time; provided that no amendment shall be made or act of termination taken which divests any Key Employee of the right to receive payments under the plan with respect to amount heretofore credited to the Key Employee's Accounts.

SECTION 9

NON-ALIENATION OF BENEFITS

No Key Employee or Beneficiary shall alienate, commute, anticipate, assign, pledge, encumber or dispose of the right to receive the payments required to be made by any Company hereunder, which payments and the right to receive them are expressly declared to be nonassignable and nontransferable. In the event of any attempt to assign or transfer any such payment or the right to receive them, no Company shall have any further obligation to make any payments otherwise required of it hereunder.

SECTION 10

MISCELLANEOUS

10.1 DELEGATION. The Committee may delegate to any Company, person or committee certain of its rights and duties hereunder. Any such delegation shall be valid and binding on all persons and the person or committee to whom or which authority is delegated shall have full power to act in all matters so delegated until the authority expires by its terms or is revoked by the Committee, as the case may be. Unless the Committee otherwise provides, each Company shall have and may exercise, with respect to its Key Employee, the powers reserved to the Committee in Sections 3, 4, 5.1 and 5.2.

10.2 APPLICABLE LAW. The Plan shall be governed by applicable federal law and, to the extent not preempted by applicable federal law, the laws of the State of Ohio.

10.3 SEPARABILITY OF PROVISIONS. If any provision of the Plan is held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions

hereof, and the Plan shall be construed and enforced as if such provisions had not been included.

10.4 HEADINGS. Headings used throughout the Plan are for convenience only and shall not be given legal significance.

10.5 COUNTERPARTS. The Plan may be executed in any number of counterparts, each of which shall be deemed an original. All counterparts shall constitute one and the same instrument, which shall be sufficiently evidenced by any one thereof.

IN WITNESS WHEREOF, Cincinnati Bell Inc. has caused its name to be subscribed on the 4th day of December, 1997.

CINCINNATI BELL INC.

By /s/ James D. Kiggen

CINCINNATI BELL INC.
1997 LONG TERM INCENTIVE PLAN

1. PURPOSE.

The purpose of the Cincinnati Bell Inc. 1997 Long Term Incentive Plan (the "Plan") is to further the long term growth of Cincinnati Bell Inc. (the "Company") by offering competitive incentive compensation related to long term performance goals to those employees of the Company and its subsidiaries who will be largely responsible for planning and directing such growth. The Plan is also intended as a means of reinforcing the commonality of interest between the Company's shareholders and the employees who are participating in the Plan and as an aid in attracting and retaining employees of outstanding abilities and specialized skills. The Plan shall become effective on the date on which it is approved by the shareholders of the Company (the "Effective Date").

2. ADMINISTRATION.

2.1 The Plan shall be administered by the Compensation Committee (the "Committee") of the Company's Board of Directors (the "Board"). The Committee shall consist of at least three members of the Board (a) who are neither officers nor employees of the Company, (b) who are "disinterested persons" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "1934 Act"), and who are "outside directors" within the meaning of section 162(m)(4)(C) of the Internal Revenue Code of 1986, as amended (the "Code").

2.2 Subject to the limitations of the Plan, the Committee shall have the sole and complete authority (a) to select from the salaried employees of the Company and its subsidiaries those employees who shall participate in the Plan ("Participants"), (b) to make awards in such forms and amounts as it shall determine and to cancel or suspend awards, (c) to impose such limitations, restrictions and conditions upon awards as it shall deem appropriate, (d) to interpret the Plan and to adopt, amend and rescind administrative guidelines and other rules and regulations relating to the Plan and (e) to make all other determinations and to take all other actions necessary or advisable for the proper administration of the Plan. Determinations of fair market value under the Plan shall be made in accordance with the methods and procedures established by the Committee. The Committee's determinations on matters within its authority shall be conclusive and binding on the Company and all other parties.

2.3 The Committee may delegate to one or more Senior Managers or to one or more committees of Senior Managers the right to make awards to employees who are not officers or directors of the Company.

3. TYPES OF AWARDS.

Awards under the Plan may be in any one or more of the following: (a) stock options, including incentive stock options ("ISOs"), (b) stock appreciation rights ("SARs"), in tandem with stock options or free-standing, (c) restricted stock, (d) performance shares and performance units conditioned upon meeting performance criteria and (e) other awards based in whole or in part by reference to or otherwise based on Company Common Shares, \$1.00 par value ("Common Shares"), or other securities of the Company or any of its subsidiaries ("other stock unit awards"). In connection with any award or any deferred award, payments may also be made representing dividends or interest or other equivalent. No awards shall be made under the Plan after ten years from the Effective Date.

4. SHARES SUBJECT TO PLAN.

Subject to adjustment as provided in Section 13 below, two percent (2%) of the Company's outstanding Common Shares as of the first day of each calendar year during which the Plan is in effect shall be available for award under the Plan in such year; provided, however, that for calendar year 1997, the number of Common Shares available for award under the Plan shall be the sum of (a) one percent (1%) of the Company's outstanding Common Shares as of January 1, 1997 plus (b) the number of Common Shares available for award under the Cincinnati Bell Inc. 1988 Long Term Incentive Plan and the Cincinnati Bell Inc. 1989 Stock Option Plan (the "Predecessor Plans") immediately prior to the Effective Date.
Common

Shares available in any year which are not used for awards under the Plan shall be available for award in subsequent years. Notwithstanding the foregoing, subject to adjustment as provided in Section 13 below, the total number of Common Shares available under the Plan for awards of ISOs shall not exceed twenty-five percent (25%) of the total number of Common Shares available for all awards over the ten year life of the Plan and the total number of Common Shares available for awards under the Plan to any one Participant shall not exceed ten percent (10%) of the total number of Common Shares available for all awards over the ten year life of the Plan. In the future, if another company is acquired, any Common Shares covered by or issued as result of the assumption or substitution of outstanding grants of the acquired company shall not be deemed issued under the Plan and shall not be subtracted from the Common Shares available for grant under the Plan. The Common Shares deliverable under the Plan may consist in whole or in part of authorized and unissued shares or treasury shares. If any Common Shares subject to any award are forfeited, or the award is terminated without issuance of Common Shares or other consideration, the Common Shares subject to such awards shall again be available for grant pursuant to the Plan.

5. STOCK OPTIONS.

All stock options granted under the Plan shall be subject to the following terms and conditions:

5.1 The Committee may, from time to time, subject to the provisions of the Plan and such other terms and conditions as the Committee may prescribe, grant to any Participant options to purchase Common Shares, which options may be options that comply with the requirements for incentive stock options set forth in section 422 of the Code ("ISOs") or options which do not comply with such requirements ("NSOs") or both. The grant of an option shall be evidenced by a signed written agreement ("Stock Option Agreement") containing such terms and conditions as the Committee may from time to time prescribe.

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

5.3 Unless otherwise prescribed by the Committee in the Stock Option Agreement, each option granted under the Plan shall be for a period of ten years, shall be exercisable in whole or in part after the commencement of the second year of its specified term and may therefore be exercised in whole or in part before it terminates under the provisions of the Stock Option Agreement. The Committee shall establish procedures governing the exercise of options and shall require that written notice of exercise be given and that the option price be paid in full in cash at the time of exercise. The Committee may permit a Participant, in lieu of part or all of the cash payment, to make payment in Common Shares or other property valued at fair market value on the date of exercise, as partial or full payment of the option price. As soon as practicable after receipt of each notice and full payment, the Company shall deliver to the Participant a certificate or certificates representing the acquired Common Shares.

5.4 Any ISO granted under the Plan shall be exercisable upon the date or dates specified in the Stock Option Agreement, but not earlier than one year after the date of grant of the ISO and not later than 10 years after the date of grant of the ISO, provided that the aggregate fair market value, determined as of the date of grant, of Common Shares for which ISOs are exercisable for the first time during any calendar year as to any Participant shall not exceed the maximum limitations in section 422A of the Code. Notwithstanding any other provisions of the Plan to the contrary, no individual will be eligible for or granted an ISO if, at the time the option is granted, that individual owns (directly or indirectly, within the meaning of section 424(d) of the Code) stock of the Company possessing more than 10% of the total combined voting power of all classes of stock of the Company or of any of its subsidiaries.

6. STOCK APPRECIATION RIGHTS.

6.1 A SAR may be granted free-standing or in tandem with new options or after the grant of a related option which is not an ISO. The SAR shall represent the right to receive payment of a sum not to exceed the

6. STOCK APPRECIATION RIGHTS. (CONTINUED)

amount, if any, by which the fair market value of the Common Shares on the date

of exercise of the SAR (or, if the Committee shall so determine in the case of any SAR not related to an ISO, any time during a specified period before the exercise date) exceeds the grant price of the SAR.

6.2 The grant price (which shall not be less than the fair market value of the Common Shares on the date of the grant) and other terms of the SAR shall be determined by the Committee.

6.3 Payment of the amount to which a Participant is entitled upon the exercise of a SAR shall be made in cash, Common Shares or other property or in a combination thereof, as the Committee shall determine. To the extent that payment is made in Common Shares or other property, the Common Shares or other property shall be valued at fair market value on the date of exercise of the SAR.

6.4 Unless otherwise determined by the Committee, any related option shall no longer be exercisable to the extent the SAR has been exercised and the exercise of an option shall cancel the related SAR to the extent of such exercise.

7. RESTRICTED STOCK.

Common Shares awarded as restricted stock may not be disposed of by the recipient until certain restrictions established by the Committee lapse. Recipients of restricted stock are not required to provide consideration other than the rendering of services or the payment of any minimum amount required by law, unless the Committee otherwise elects. The Participant shall have, with respect to Common Shares awarded as restricted stock, all of the rights of a shareholder of the Company, including the right to vote the Common Shares, and the right to receive any cash dividends, unless the Committee shall otherwise determine. Upon termination of employment during the restricted period, all restricted stock shall be forfeited, subject to such exceptions, if any, as are authorized by the Committee, as to termination of employment, retirement, disability, death or special circumstances.

8. PERFORMANCE SHARES AND UNITS.

8.1 The Committee may award to any Participant Performance Shares and Performance Units ("Performance Award"). Each Performance Share shall represent, as the Committee shall determine, one Common Share or other security. Each Performance Unit shall represent the right of a Participant to receive an amount equal to the value determined in the manner established by the Committee at time of award. Recipients of Performance Awards are not required to provide consideration other than the rendering of service, unless the Committee otherwise elects.

8.2 Each Performance Award under the Plan shall be evidenced by a signed written agreement containing such terms and conditions as the Committee may determine.

8.3 The performance period for each award of Performance Shares and Performance Units shall be of such duration as the Committee shall establish at the time of award ("Performance Period"). There may be more than one award in existence at any one time, and Performance Periods may differ. The performance criteria for each Performance Period shall be determined by the Committee.

8.4 The Committee may provide that amounts equivalent to dividends paid shall be payable with respect to each Performance Share awarded, and that amounts equivalent to interest at such rates as the Committee may determine shall be payable with respect to amounts equivalent to dividends previously credited to the Participant. The Committee may provide that amounts equivalent to interest at such rates as the Committee may determine shall be payable with respect to Performance Units.

8.5 Payments of Performance Shares and any related dividends, amounts equivalent to dividends and amounts equivalent to interest may be made in a lump sum or in installments, in cash, property or in a combination thereof, as the Committee may determine. Payment of Performance Units and any related amounts equivalent to interest may be made in a lump sum or in installments, in cash, property or in a combination thereof, as the Committee may determine.

9. OTHER STOCK UNIT AWARDS.

9.1 The Committee is authorized to grant to Participants, either alone or

in addition to other awards granted under the Plan, awards of Common Shares or other securities of the Company or any subsidiary of the Company and other awards that are valued in whole or in part by reference to, or are otherwise based on, Common Shares or other securities of the Company or any subsidiary of the Company ("other stock unit awards"). Other stock unit awards may be paid in cash, Common Shares, other property or in a combination thereof, as the Committee shall determine.

9.2 The Committee shall determine the Participants to whom other stock unit awards are to be made, the times at which such awards are to be made, the number of shares to be granted pursuant to such awards and all other conditions of such awards. The provisions of other stock unit awards need not be the same with respect to each recipient. The Participant shall not be permitted to sell, assign, transfer, pledge, or otherwise encumber the Common Shares or other securities prior to the later of the date on which the Common Shares or other securities are issued, or the date on which any applicable restrictions, performance or deferral period lapses. Common Shares (including securities convertible into Common Shares) and other securities granted pursuant to other stock unit awards may be issued for no cash consideration or for such minimum consideration as may be required by applicable law. Common Shares (including securities convertible into Common Shares) and other securities purchased pursuant to purchase rights granted pursuant to other stock unit awards may be purchased for such consideration as the Committee shall determine, which price shall not be less than the fair market value of such Common Shares or other securities on the date of grant, unless the Committee otherwise elects.

10. NONASSIGNABILITY OF AWARDS.

No award granted under the Plan shall be assigned, transferred, pledged or otherwise encumbered by a Participant, otherwise than (a) by will, (b) by designation of a beneficiary after death, (c) by the laws of descent and distribution or (d) to the extent permitted by the Committee, by gift. Each award shall be exercisable during the Participant's lifetime only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative or, in the case of a gift permitted by the Committee, by the recipient of the gift.

11. DEFERRALS OF AWARDS.

The Committee may permit Participants to defer the distribution of all or part of any award in accordance with such terms and conditions as the Committee shall establish.

12. PROVISIONS UPON CHANGE OF CONTROL.

In the event of a Change in Control occurring on or after the Effective Date, the provisions of this Section 12 will supersede any conflicting provisions of the Plan.

12.1 In the event of a Change in Control, all outstanding stock options and SARs under Sections 5 and 6 of the Plan shall become exercisable in full and the restrictions otherwise applicable to any common shares awarded as restricted stock under Section 7 of the Plan shall lapse; further, unless the Committee shall revoke such an entitlement prior to a Change in Control, any optionee who is deemed by the Committee to be a statutory officer ("insider") for purposes of Section 16 of the 1934 Act shall be entitled to receive in lieu of exercise of any stock option, to the extent that it is then exercisable, a cash payment in an amount equal to the difference between the aggregate price of such option, or portion thereof, and (a) in the event of a tender offer or similar event, the final offer price per share paid for Common Shares times the number of Common Shares covered by the option or portion thereof, or (b) the aggregate value of the Common Shares covered by the stock option.

In the event of a tender offer in which fewer than all Common Shares which are validly tendered in compliance with such offer are purchased or exchanged, then only that portion of the Common Shares covered by a stock option as results from multiplying such Common Shares by a fraction, the numerator of which is the number of Common Shares acquired pursuant to the offer and the denominator of which is the

12. PROVISIONS UPON CHANGE OF CONTROL. (CONTINUED)

number of Common Shares tendered in compliance with such offer, shall be used to determine the payment thereupon. To the extent that all or any portion of a stock option shall be affected by this provision, all or such portion of the stock option shall be terminated.

12.2 In the event of a Change in Control, a pro rata portion of all outstanding awards under Sections 8 and 9 of the Plan, whether in the form of Performance Shares or Units, shall be paid to each Participant within five business days of such Change in Control. The pro rata portion of such awards to be paid shall equal the full present value of each such award as of the first day of the month in which such Change in Control occurs multiplied by a ratio, the numerator of which shall equal the number of full and partial months (including the month in which any Change in Control occurs) since the date of the award and the denominator of which shall equal the number of months in the applicable performance period.

12.3 For purposes of this Section 12, a "Change in Control" of the Company means and shall be deemed to occur if:

- (a) a tender shall be made and consummated for the ownership of 30% or more of the outstanding voting securities of the Company;
- (b) the Company shall be merged or consolidated with another corporation and as a result of such merger or consolidation less than 75% of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the former shareholders of the Company, other than affiliates (within the meaning of the 1934 Act) of any party to such merger or consolidation, as the same shall have existed immediately prior to such merger or consolidation;
- (c) the Company shall sell substantially all of its assets to another corporation which is not a wholly owned subsidiary;
- (d) a person, within the meaning of Section 3(a)(9) or of Section 13(d)(3) of the 1934 Act, shall acquire 20% or more of the outstanding voting securities of the Company (whether directly, indirectly, beneficially or of record), or a person, within the meaning of Section 3(a)(9) or Section 13(d)(3) of the 1934 Act, controls in any manner the election of a majority of the directors of the Company; or
- (e) within any period of two consecutive years commencing on or after the effective date of the Plan, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election of each director who was not a director at the beginning of such period has been approved in advance by directors representing at least two-thirds of the directors then in office who were directors at the beginning of the period. For purposes hereof, ownership of voting securities shall take into account and shall include ownership as determined by applying the provisions of Rule 13d-3(d)(1)(i) pursuant to the 1934 Act.

12.4 In the event of a Change in Control, the provisions of this Section 12 may not be amended on or subsequent to the Change in Control in any manner whatsoever which would be adverse to one or more Participants without the consent of each Participant who would be so affected; provided, however, the Board may make minor or administrative changes to this Section 12 or changes to conform to applicable legal requirements.

13. ADJUSTMENTS.

13.1 In the event of any change affecting the Common Shares by reason of any stock dividend or split, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other corporate change, or any distributions to common shareholders other than cash dividends, the Committee shall make such substitution or adjustment in the aggregate number or class of shares which may be distributed

13. ADJUSTMENTS. (CONTINUED)

under the Plan and in the number, class and option price or other price of shares subject to the outstanding awards granted under the Plan as it deems to be appropriate in order to maintain the purpose of the original grant.

13.2 The Committee shall be authorized to make adjustments in performance award criteria or in the terms and conditions of other awards in recognition of

unusual or non-recurring events affecting the Company or its financial statements or changes in applicable laws, regulations or accounting principles. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any award in the manner and to the extent it shall deem desirable to carry it into effect.

14. BOARD OF DIRECTORS.

Notwithstanding any other provisions hereof to the contrary, the Board may assume responsibilities otherwise assigned to the Committee and may amend, alter or discontinue the Plan or any portion thereof at any time, provided that no such action shall impair the rights of a Participant without the Participant's consent and provided that no amendment shall be made without shareholder approval which shall (a) increase the total number of shares reserved for issuance pursuant to the Plan; (b) change the class of eligible Participants; or (c) materially increase the benefits under the Plan.

15. WITHHOLDING.

To the extent required by applicable federal, state, local or foreign law, the recipient of an award under the Plan shall make arrangements satisfactory to the Company for the satisfaction of any withholding obligations that arise in connection with the award and the Company shall have the right to withhold from any cash award the amount necessary, or retain from any award in the form of Common Shares a sufficient number of Common Shares, to satisfy the applicable withholding tax obligation. Unless otherwise provided in the applicable award agreement, a Participant may satisfy any tax withholding obligation by any of the following means or any combination thereof: (a) by a cash payment to the Company, (b) by delivering to the Company Common Shares owned by the Participant or (c) with the consent of the Committee, by authorizing the Company to retain a portion of the Common Shares otherwise issuable to the Participant pursuant to the exercise or vesting of the award.

16. PREDECESSOR PLANS.

The Plan is intended to supersede the Predecessor Plans for all awards made after the Effective Date. Awards under the Predecessor Plans which are outstanding on the Effective Date will not be affected by the Plan, provided that the Committee, in its discretion, may permit transfers by gift of options granted under the Predecessor Plans, subject to such terms and conditions as the Committee may prescribe.

CINCINNATI BELL INC.
1997 STOCK OPTION PLAN
FOR NON-EMPLOYEE DIRECTORS

1. PURPOSE.

The 1997 Stock Option Plan for Non-Employee Directors (the "Plan") is intended to attract and retain the services of experienced and knowledgeable independent directors of Cincinnati Bell Inc. (the "Company") for the benefit of the Company and its shareholders and to provide additional incentive for such directors to continue to work for the best interest of the Company and its shareholders.

2. SHARES SUBJECT TO THE PLAN.

There are reserved for issuance upon the exercise of options granted under the Plan 300,000 Common Shares \$1.00 par value, of the Company (the "Common Shares"). Such Common Shares may be authorized and unissued Common Shares or previously outstanding Common Shares then held in the Company's treasury. If any option granted under the Plan shall expire or terminate for any reason without having been exercised in full, the Common Shares subject thereto shall again be available for the purposes of issuance upon the exercise of options granted under the Plan.

3. ADMINISTRATION.

The Plan shall be administered by the Board of Directors of the Company (the "Board"). Subject to the express provisions of the Plan, the Board shall have authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the option grants and agreements (which shall comply with and be subject to the terms and conditions of the Plan) and to make all other determinations necessary or advisable for the administration of the Plan. The Board's determination of the matters referred to in this Paragraph 3 shall be conclusive.

4. ELIGIBILITY.

For purposes of the Plan, "Outside Director" means a member of the Board who is not an employee of the Company or a subsidiary of the Company. Each individual who first becomes an Outside Director on or after the effective date of the Plan shall automatically be granted an option to purchase 6,000 Common Shares on the first day of such individual's first term of office as an Outside Director. On the date of each annual meeting of the shareholders of the Company subsequent to the effective date of the Plan, each Outside Director who first became an Outside Director prior to such annual meeting and who will continue to serve as an Outside Director after such annual meeting shall automatically be granted an option to purchase 2,000 Common Shares.

Only non-statutory stock options shall be granted under the Plan.

5. OPTION GRANTS.

(a) The purchase price of the Common Shares under each option granted under the Plan shall be 100% of the Fair Market Value of the Common Shares on the date such option is granted. For purposes of the Plan, "Fair Market Value" shall be taken as the average (rounded to the next highest cent in the case of fractions of a cent) of the high and low sales prices of the Common Shares on the composite tape on the specified date or, if no Common Shares are traded on the specified date, on the next preceding date on which Common Shares are traded.

(b) All options shall be exercisable on the date of grant. The term of each option shall be ten years from the date of grant, or such shorter period as is prescribed in Paragraphs 5(d) and 5(e). Except as provided in Paragraphs 5(c), 5(d) and 5(e), no option may be exercised at any time unless the holder is then a director of the Company.

Upon exercise, the option price is to be paid in full in cash or, at the discretion of the Board, in Common Shares owned by the optionee having a Fair Market Value on the date of exercise equal to the

5. OPTION GRANTS. (CONTINUED)

aggregate option price or, at the discretion of the Board, in a combination of cash and Common Shares. Upon exercise of an option, the Company shall have the

right to retain or sell without notice sufficient Common Shares to cover government withholding taxes or deductions, if any, as described in Paragraph 9.

(c) For purposes of the Plan, "Retirement" means retirement from the Board either (i) after attaining age 68 or (ii) with the permission of the Board. In the event that an optionee shall cease to be a director because of Retirement, the optionee may exercise the option at any time during the remaining term of the option.

(d) In the event that an optionee shall cease to be a director of the Company, other than by reason of Retirement or death, the optionee may exercise the option during the six-month period following such termination, but not after the expiration of the option. In the event that the option is not exercised during the six-month period following termination, it shall expire at the end of such six-month period.

(e) In the event of the death of a director to whom an option has been granted under the Plan, the option theretofore granted to the optionee may be exercised by a legatee or legatees of the optionee under the optionee's last will or by the optionee's personal representative or distributees at any time during the remaining term of the option.

In the event that an optionee ceases to be a director other than by reason of Retirement and dies during the six-month period following such termination of service as a director, the option may be exercised by a legatee or legatees of the optionee under the optionee's last will, or by the optionee's personal representatives or distributees, at any time within a period of one year after the optionee's death, but not after expiration of the option. In the event the option is not exercised during the one-year period after the optionee's death, it shall expire at the end of such one-year period.

In the event that an optionee dies following Retirement, the option theretofore granted to the optionee may be exercised by the legatee or legatees of the optionee under the optionee's last will, or by the optionee's personal representatives or distributees, at any time during the remaining term of the option.

(f) Nothing in the Plan or in any option granted pursuant to the Plan shall confer on any individual any right to continue as a director of the Company.

6. TRANSFERABILITY AND SHAREHOLDER RIGHTS OF HOLDERS OF OPTIONS.

No option granted under the Plan shall be transferable otherwise than by will or by the laws of descent and distribution, and an option may be exercised, during the lifetime of an optionee, only by the optionee. An optionee shall have none of the rights of a shareholder of the Company until the option has been exercised and the Common Shares subject to the option have been registered in the name of the optionee on the transfer books of the Company. Notwithstanding the foregoing, the Board, in its discretion, may permit transfers of options by gift or otherwise, subject to such terms and conditions as the Board may prescribe.

7. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION.

Notwithstanding any other provisions of the Plan, the number and class of shares subject to the options and the option prices of options covered thereby shall be proportionately adjusted in the event of changes in the outstanding Common Shares by reason of stock dividends, stock splits, recapitalizations, mergers, consolidations, combinations or exchanges of shares, split-ups, split-offs, spin-offs, liquidations or other similar changes in capitalization, or any distribution to common shareholders other than cash dividends and, in the event of any such change in the outstanding Common Shares, the aggregate number and class of shares available under the Plan and the number of shares as to which options may be granted shall be appropriately adjusted by the Board.

8. AMENDMENT AND TERMINATION.

Unless the Plan shall theretofore have been terminated as hereinafter provided, the Plan shall terminate on, and no awards of options shall be made after, the tenth anniversary of the effective date of the Plan; provided, however, that such termination shall have no effect on options granted prior thereto.

8. AMENDMENT AND TERMINATION. (CONTINUED)

The Plan may be terminated, modified or amended by the shareholders of the Company. The Board may also terminate the Plan or modify or amend the Plan in such respects as it shall deem advisable in order to conform to any change in any law or regulation applicable thereto, or in other respects which shall not change (i) the total number of Common Shares as to which options may be granted, (ii) the class of persons eligible to receive options under the Plan, (iii) the manner of determining the option prices, (iv) the period during which options may be granted or exercised or (v) the provisions relating to the administration of the Plan by the Board.

9. WITHHOLDING.

Upon the issuance of Common Shares as a result of the exercise of an option, the Company shall have the right to retain or sell without notice sufficient Common Shares to cover the amount of any tax required by any government to be withheld or otherwise deducted and paid with respect to such Common Shares being issued, remitting any balance to the optionee; provided, however, that the optionee shall have the right to provide the Company with the funds to enable it to pay such tax.

10. EFFECTIVENESS OF THE PLAN.

The Plan shall become effective on the day following the date the Plan is approved by the vote of the holders of a majority of the outstanding Common Shares at a meeting of the shareholders. The Board may in its discretion authorize the granting of options which shall be expressly subject to the conditions that (i) the Common Shares reserved for issue under the Plan shall have been duly listed, upon official notice of issuance, upon each stock exchange in the United States upon which the Common Shares are traded and (ii) a registration statement under the Securities Act of 1933 with respect to such shares shall have become effective.

11. PREDECESSOR PLAN.

The Plan is intended to supersede the Cincinnati Bell Inc. 1988 Stock Option Plan for Non-Employee Directors (the "1988 Plan") for all options granted on or after the effective date of the Plan. Options granted under the 1988 Plan which are outstanding on the effective date of the Plan will not be affected by the Plan, provided that the Board, in its discretion, may permit transfers by gift or otherwise of options granted under the 1988 Plan, subject to such terms and conditions as the Board may prescribe.

CINCINNATI BELL INC.
COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES
AND PREFERRED STOCK DIVIDENDS
(Millions of Dollars)

	1997	1996	1995	1994	1993
	----	----	----	----	----
Earnings					
(a) Income (loss) before income taxes, extraordinary charges and cumulative effect of change in accounting principle	\$296.9	\$284.7	\$(19.6)	\$117.6	\$(55.1)
(b) Adjustment for undistributed (income) losses of partnerships	(2.1)	(3.4)	(4.5)	1.3	1.3
(c) Interest expense	35.5	33.9	52.8	49.5	45.8
(d) One-third of rental expense	34.4	27.6	23.1	23.9	23.6
	-----	-----	-----	-----	-----
Total Earnings(1)	\$364.7	\$342.8	\$ 51.8	\$192.3	\$ 15.6
	-----	-----	-----	-----	-----
Fixed Charges					
(a) Interest expense	\$ 35.5	\$ 33.9	\$ 52.8	\$ 49.5	\$ 45.8
(b) One-third of rental expense	34.4	27.6	23.1	23.9	23.6
(c) Preferred dividends	--	--	--	--	3.5
	-----	-----	-----	-----	-----
	\$ 69.9	\$ 61.5	\$ 75.9	\$ 73.4	\$ 72.9
	-----	-----	-----	-----	-----
Ratio of earnings to combined fixed charges and preferred stock dividends	5.22	5.57	0.68	2.62	0.21
Coverage deficiency	--	--	\$ 24.1	--	\$ 57.3

- (1) Results for 1997 decreased \$14.0 million for a charge from a 1997 business restructuring at MATRIX and pension settlement gains from a 1995 business restructuring at CBT and CBI.
Results for 1996 increased \$27.1 million primarily for pension settlement gains from a 1995 business restructuring at CBT and CBI.
Results for 1995 decreased \$197.0 million primarily for a charge from a 1995 business restructuring at CBT and CBI and a writedown of goodwill at MATTRIX.
Results for 1993 decreased \$131.5 million primarily for a charge from a 1993 restructuring at CBIS.

Selected Financial and Operating Data

Millions of dollars except per share amounts	1997	1996	1995	1994	1993	1992
Results of Operations						
Revenues	\$1,756.8	\$1,573.7	\$1,336.1	\$1,228.2	\$1,096.2	\$1,101.4
Costs and expenses excluding special items	1,429.7	1,291.9	1,110.7	1,057.1	982.0	990.8
Operating income excluding special items	327.1	281.8	225.4	171.1	114.2	110.6
Special items (a)	14.0	(24.7)	178.7	5.7	132.9	19.4
Operating income (loss)	313.1	306.5	46.7	165.4	(18.7)	91.2
Other income (expense), net	19.3	12.1	(13.5)	1.7	9.4	10.9
Interest expense (a)	35.5	33.9	52.8	49.5	45.8	46.2
Income (loss) before income taxes, extraordinary items and cumulative effect of change in accounting principle	296.9	284.7	(19.6)	117.6	(55.1)	55.9
Income taxes	103.3	99.7	5.7	42.1	1.7	17.0
Income (loss) from continuing operations	193.6	185.0	(25.3)	75.5	(56.8)	38.9
Extraordinary items and cumulative effect of change in accounting principle (b)	(210.0)	--	(7.0)	(2.9)	--	(3.7)
Net income (loss)	(16.4)	185.0	(32.3)	72.6	(56.8)	35.2
Preferred dividend requirements	--	--	--	--	2.2	4.3
Income (loss) applicable to common shares	\$ (16.4)	\$ 185.0	\$ (32.3)	\$ 72.6	\$ (59.0)	\$ 30.9
Earnings (loss) per common share (c)						
Income (loss) from continuing operations						
Basic	\$ 1.43	\$ 1.38	\$ (.19)	\$.58	\$ (.45)	\$.31
Diluted	\$ 1.41	\$ 1.35	\$ (.19)	\$.58	\$ (.44)	\$.30
Net income (loss)						
Basic	\$ (.12)	\$ 1.38	\$ (.24)	\$.56	\$ (.47)	\$.25
Diluted	\$ (.12)	\$ 1.35	\$ (.24)	\$.55	\$ (.45)	\$.24
Dividends declared						
per common share (c)	\$.40	\$.40	\$.40	\$.40	\$.40	\$.40
Weighted average common shares (millions) (c)						
Basic	135.2	133.9	132.0	130.7	126.5	123.7
Diluted	137.7	137.2	133.5	130.9	129.8	130.2
Financial Position						
Total assets (b)	\$1,498.7	\$1,670.9	\$1,591.7	\$1,723.4	\$1,664.1	\$1,632.5
Long-term debt	\$ 269.2	\$ 279.5	\$ 386.8	\$ 528.3	\$ 522.9	\$ 350.1
Total debt	\$ 459.8	\$ 503.7	\$ 512.9	\$ 597.0	\$ 634.9	\$ 543.0
Preferred shares	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 60.0
Common shareowners' equity	\$ 579.7	\$ 634.4	\$ 478.1	\$ 552.4	\$ 515.6	\$ 568.9
Other Data						
Total capital additions (including acquisitions)	\$ 236.1	\$ 220.8	\$ 166.8	\$ 156.2	\$ 235.4	\$ 140.1
Telephone plant construction	\$ 141.1	\$ 101.4	\$ 90.3	\$ 112.8	\$ 111.6	\$ 95.0
Network access lines (000)	1,005	958	906	877	848	827
Access minutes of use (millions)						
Interstate	2,945	2,744	2,536	2,336	2,132	1,985
Intrastate	1,055	963	956	932	888	836
Employees	20,800	19,700	15,100	15,600	14,700	11,200
Market price per share (c)						
High	\$ 33.750	\$ 30.813	\$ 17.625	\$ 10.063	\$ 12.188	\$ 10.438
Low	\$ 23.063	\$ 15.875	\$ 8.438	\$ 7.688	\$ 8.063	\$ 7.688
Close	\$ 31.000	\$ 30.813	\$ 17.375	\$ 8.500	\$ 9.000	\$ 8.563

(a) See Note 2 of Notes to Financial Statements.

(b) See Note 3 of Notes to Financial Statements.

(c) Restated to reflect two-for-one share split in May 1997 and adoption of SFAS 128.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Cincinnati Bell Inc. (the Company) is a diversified communications company with principal businesses in three industry segments. The Information Systems segment, Cincinnati Bell Information Systems Inc. (CBIS), provides and manages customer-care and billing solutions for the communications and cable TV industries. The Teleservices segment, MATRIXX Marketing Inc. (MATRIXX),

provides a full range of outsourced marketing solutions to large corporations. The Communications Services segment, consisting of Cincinnati Bell Telephone Company (CBT), Cincinnati Bell Long Distance Inc. (CBLD), Cincinnati Bell Directory Inc. (CBD), Cincinnati Bell Supply Company (CBS) and Cincinnati Bell Wireless Company (CBW), provides local telephone exchange services and products in Greater Cincinnati, long distance services, yellow pages and directory services, and telecommunications equipment. CBW was formed during the fourth quarter of 1997 for the purpose of providing customers in the Greater Cincinnati and Dayton markets advanced digital personal communications services (PCS), voice, paging, E-mail messaging, other features and associated products.

CBLD, CBD and CBS, previously in a separate category, are now included in the Communications Services segment to better reflect the Company's communications business. Certain prior year amounts have been reclassified to conform with the current classifications with no effect on financial results. Common shares and earnings per share have been restated to reflect a two-for-one share split in May 1997 and the adoption of Statement of Financial Accounting Standards (SFAS) 128, "Earnings Per Share," in 1997. All per share references that follow refer to diluted earnings per share.

The following discussion and the related consolidated financial statements and accompanying notes contain certain forward-looking statements that involve potential risks and uncertainties. The Company's future results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed herein. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to review or update these forward-looking statements or to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Consolidated Overview

The Company's strategy is to be a leader in helping communications companies and marketing-intensive businesses worldwide compete more effectively through advanced billing, customer information and teleservices solutions, while enhancing its position as the premier provider of communications services in Greater Cincinnati. By leveraging the combined knowledge, capabilities and experience of its subsidiaries, the Company seeks to capitalize on the opportunities arising in the changing communications market and the growing trend of outsourcing.

During 1997, the Company continued investing to grow its subsidiaries' existing operations and to add new capabilities. CBIS made an investment in Wiztec Solutions Ltd. to add billing capabilities in the direct-broadcast satellite marketplace and entered into a strategic relationship to add billing capabilities for consolidated Internet services. MATRIXX opened three new call centers and announced a plan to restructure its operations to achieve increased productivity and customer focus. CBT continued to invest heavily in its telephone plant to accommodate record access line growth and introduced new advanced data solutions to meet the emerging need for data services.

In the fourth quarter of 1997, MATRIXX announced agreements to acquire AT&T's teleservices unit, AT&T Solutions Customer Care (Transtech), and the teleservices assets of Maritz Inc. With the closing of these acquisitions in the first quarter of 1998, MATRIXX is the teleservices industry leader. The Company's agreement announced on February 3, 1998, to acquire an approximately 80% interest in a PCS venture with AT&T, underscores the Company's commitment to be the premier provider of communications services in Greater Cincinnati.

Results of Operations

1997 Compared to 1996

Revenues reached a record \$1,756.8 million up 12% from \$1,573.7 million last year, as a result of balanced growth in the communications and customer-care businesses. The customer-care businesses, CBIS and MATRIXX, accounted for 73% of the revenue growth, and collectively represented 54% of consolidated revenues for the year. Costs and expenses excluding special items were \$1,429.7 million, up 11% over 1996. Operating income excluding special items increased to \$327.1 million, an 18.6% margin, up from \$281.8 million, a 17.9% margin, in 1996. Excluding special and extraordinary items, net income increased to \$203.3 million or \$1.48 per share in 1997 from \$167.6 million or

\$1.22 per share in 1996.

Special items in 1997 included a charge of \$35.0 million at MATRIXX for a restructuring of divisions and facilities, and credits of \$21.0 million for pension settlement gains from lump sum distributions resulting from the 1995 business restructuring at CBT and CBI. In 1997, the Company also recorded a \$210.0 million after-tax, non-cash extraordinary charge for the discontinuation of Statement of Financial Accounting Standards (SFAS) 71, "Accounting for the Effects of Certain Types of Regulation," at CBT. Special items in 1996 included credits of \$29.7 million for restructuring and pension settlement gains from the 1995 business restructuring at CBT and CBI, charges of \$5.0 million for acquired research and development costs from acquisitions at CBIS and MATRIXX and a reversal of \$2.5 million for accrued interest expense related to overearnings liabilities.

Including the special and extraordinary items, the reported net loss was \$16.4 million or \$.12 per share in 1997 compared to net income of \$185.0 million or \$1.35 per share in 1996.

Operating results were also affected by two significant initiatives which began in 1997. The first initiative was the effort to reprogram the Company's information systems for the Year 2000. The second was the effort to modify CBT's network as mandated by the regulators to accommodate connections with competing networks and to allow customers to maintain their telephone numbers when they switch local service providers. During 1997, the Company incurred \$14.1 million for Year-2000 reprogramming costs and \$6.3 million for regulator-mandated interconnection and local number portability costs.

1996 Compared to 1995

Revenues reached \$1,573.7 million in 1996, up 18% from 1995. CBIS and MATRIXX produced 82% of the revenue growth and 52% of consolidated revenues for the year. Costs and expenses excluding special items were \$1,291.9 million, an increase of 16% over 1995. Operating income excluding special items increased 25% in 1996 to \$281.8 million. Excluding special and extraordinary items, net income was \$167.6 million or \$1.22 per share in 1996 and \$114.2 million or \$.86 per share in 1995.

Special items in 1996 amounted to a net credit of \$27.2 million compared to charges of \$208.0 million in 1995 items. The effect of the special and extraordinary items increased net income \$17.4 million or \$.13 per share in 1996 and decreased net income by \$146.5 million or \$1.10 per share in 1995.

Including special and extraordinary items, reported net income was \$185.0 million or \$1.35 per share in 1996 compared to a net loss of \$32.3 million or \$.24 per share in 1995.

Communications Services

CBT's strategy is to be the leading full-service provider of communications services and products in the Greater Cincinnati market. To that end, during 1997 CBT aggressively and successfully increased its marketing of second access lines for voice, data, Internet and fax usage, as well as custom calling features such as Caller ID, and its FUSE Internet service. During 1997, CBT also launched its Network Solutions group to capitalize on its potential in the data networking business. CBT's status as the premier provider of communications services and products was reinforced by the installation of the one millionth CBT access line in the fourth quarter of 1997, a significant milestone in the 125-year history of the Company.

CBD publishes the leading Yellow Pages directories in Greater Cincinnati. During 1997, CBD invested heavily in the development of its Electronic Yellow Pages offering and its cincinnati-today.com Internet information service. CBD's strategy is to be a full-service regional communications company, offering advanced data, fax and voice messaging, local and national paging, and conference-calling services, all wrapped around its core, expanding suite of long-distance products. CBS assists Greater Cincinnati businesses in managing their desktop and network computer needs both as a source of leading-brand equipment and maintenance and repair services. CBW was formed in late 1997 and opened three retail stores in the Greater Cincinnati area selling communications products, while pursuing discussions to launch digital wireless PCS in the Greater Cincinnati and Dayton markets. These discussions led to the February 3, 1998, announcement of a venture with AT&T under which CBW will own an approximate 80% interest in a PCS provider expected to begin offering PCS services in Cincinnati and Dayton later in 1998.

(\$ millions)	1997	1996	% Change 97 vs. 96	1995	% Change 96 vs. 95
Revenues:					
Local service	\$386.2	\$370.6	4	\$352.6	5
Network access	170.0	161.9	5	142.6	14
Other services	278.3	247.3	13	240.8	3
Total	834.5	779.8	7	736.0	6
Costs and expenses:					
Operating expenses Year-2000	647.1	620.7	4	591.6	5
programming costs Mandated	4.2	--	--	--	--
telecommunications costs	6.3	--	--	--	--
Special items: Restructuring/ settlement gains	(21.0)	(28.5)	--	121.7	--
Total	636.6	592.2	7	713.3	(17)
Operating income	\$197.9	\$187.6	5	\$ 22.7	--
Excluding special items:					
Operating Income	\$176.9	\$159.1	11	\$144.4	10
Operating margin	21.2%	20.4%		19.6%	

1997 Compared to 1996

The Communications Services businesses had a strong year. Record access line growth at CBT, higher revenues at CBLD, CBD and CBS and cost control efforts increased the operating margin, excluding special items, over the 1996 level, while each of the companies continued to make investments to position themselves for the emergence of competition in the communications marketplace. One such expenditure was CBT's spending to meet regulator mandates to modify its network and systems to allow competing local exchange service providers to interconnect with CBT's network.

Revenues

Revenues increased \$54.7 million or 7%. Local service revenues increased \$15.6 million primarily from continuing growth in access lines, which reached a record in 1997. The strong business economy, higher installations of second lines and demand for access to on-line computer services increased access lines 5% for the year. Revenues from enhanced custom calling features increased as a result of access line growth, promotions and increased advertising.

Network access revenues increased \$8.1 million, principally from increases in state access revenues of \$6.8 million, special access revenues of \$3.3 million and end user revenues of \$3.2 million. The increases were caused by 8% growth in access minutes, growth in access lines and increased special access revenues from wireless providers and higher data volume associated with services to Internet providers. These positive factors were offset by reductions of \$5.2 million from significant price reductions on Federal access rates with the adoption of new access regulation and from changes in overearnings accruals.

Other services increased \$31.0 million primarily as a result of higher revenues at CBLD and CBS. The higher revenues at CBLD were the result of greater minutes of use from direct carrier and alternate channel sales. At CBS, the increase was the result of higher sales and support of computer equipment and operations.

Costs and Expenses

Operating expenses increased \$26.4 million or 4%, with most of the increase occurring at CBT. Factors that contributed to the expense increase at CBT included increases of \$14.1 million for labor, consulting fees and

right-to-use fees. The right-to-use fees were related to switching equipment and software purchases. Depreciation expense increased \$4.0 million, primarily as a result of higher telephone plant balances throughout 1997. Substantially all of the remaining increase in operating expenses was the result of higher direct costs associated with higher revenue levels at CBLD, CBS and CBD and costs incurred in late 1997 related to the start-up of CBW's retail operations.

During 1997, CBT began to incur costs to ready its information systems and software for the Year 2000 and mandated telecommunications costs to modify its network for interconnection with competing local exchange carriers. Year-2000 programming costs totaled \$4.2 million while regulator mandated spending totaled \$6.3 million.

Special items were \$21.0 million in pension settlement gains in 1997 and \$28.5 million in pension settlement gains and restructuring adjustments in 1996, all at CBT.

In the fourth quarter of 1997, CBT discontinued the application of SFAS 71 and recognized a \$210.0 million non-cash, extraordinary charge, net of taxes (see Note 3 of Notes to the Financial Statements). The discontinuance of SFAS 71 did not have a significant effect on CBT's operating expenses in 1997. The Company expects CBT's 1998 depreciation expense to decline slightly because of the lower net plant base, partially offset by the impact of shorter depreciation lives. CBT's depreciation expense should increase somewhat in 1999 as compared to 1998 levels as CBT continues to invest in new technology.

1996 Compared to 1995

Revenues

Revenues increased \$43.8 million or 6%. Local service revenues increased \$18.0 million. Access lines grew by 4% due to strong demand for business lines and higher installations of second residential lines. Increased penetration of enhanced services, such as Caller ID, and a full year of new Kentucky rates also contributed to the revenue gain.

Network access revenues increased \$19.3 million. More than half the growth was due to increased network minutes of use, access line growth and special access revenues, with the remainder resulting from adjustments to overearnings liabilities.

Other services increased \$6.5 million, primarily as a result of higher revenues at CBLD, CBD and CBS. Partially offsetting the increases were decreases at CBT in long distance revenue from the expansion of local service territories in November 1995, a lower level of billing and collection services and changes in the provision for uncollectible accounts.

Costs and Expenses

Operating expenses were \$29.1 million or 5% higher than in 1995. At CBT, payroll-related expenses were unchanged. Savings from employee departures under the 1995 business restructuring were offset by cost increases resulting from strong access line growth, inclement weather, the desire to maintain customer service levels, and adding employees with different skills. Expenses for labor, consulting and data processing increased \$11.5 million as a result of ongoing business and process improvements resulting from the 1995 restructuring plan. Advertising costs for planned campaigns and depreciation expense from higher telephone plant balances increased \$5.9 million. Lower cost from facilities consolidation resulting from the 1995 restructuring and a change in property taxes decreased operating expenses \$8.4 million at CBT. Most of the remaining increase in operating expenses, \$18.2 million, was at CBLD, CBS and CBD. The increase was primarily the result of higher direct costs associated with higher revenue levels at all three businesses.

Special items in 1996 were a credit of \$28.5 million, principally pension settlement gains. In 1995, special items were charges of \$121.7 million, all related to the recording of costs for the business restructuring.

Information Systems

CBIS's strategy is to provide customer-care and billing services and solutions to the growing communications and cable/broadband industries. CBIS seeks to enter into long-term outsourced contracts that share in the success and growth of its clients. It targets domestic and international wireless, wireline, cable TV, broadband, Internet and other convergent service providers. Additionally, CBIS develops network management systems for large international communications companies.

CBIS's systems enable its clients to better manage their customer relationships through a range of turnkey and more customized applications. CBIS continues to make significant investments in the development of software

and in increasing the capacity and capabilities of its data centers.

(\$ in millions)	1997	1996	% Change 97 vs. 96	1995	% Change 96 vs. 95
Revenues	\$548.0	\$479.8	14	\$373.9	28
Costs and expenses:					
Operating expenses	434.6	401.3	8	327.9	22
Year-2000 programming costs	8.7	--	--	--	--
Special items:					
Acquired research and development costs	--	3.0	--	7.5	--
Total	443.3	404.3	10	335.4	21
Operating income	\$104.7	\$ 75.5	39	\$ 38.5	96
Excluding special items:					
Operating income	\$104.7	\$ 78.5	33	\$ 46.0	71
Operating margin	19.1%	16.4%		12.3%	

1997 Compared to 1996

CBIS had an outstanding year as continued wireless subscriber growth fueled a 14% increase in revenues and the operating margin excluding special items increased by 2.7 points despite continued aggressive spending on research and development and the beginning of significant spending by CBIS to address the Year-2000 issue.

Revenues

Revenues increased \$68.2 million or 14%. Data processing revenues increased \$57.0 million, primarily from growth in cellular and PCS subscribers. Subscriber levels in the core wireless market increased 29%. The increase in data processing revenues attributable to the growth in core wireless subscribers was partially offset by a decline in the number of subscribers for whom CBIS performs wireless long distance billing. This decline resulted from the Telecommunications Act of 1996 causing a loss in market share by a CBIS client to other long distance carriers. License and other revenue increased \$6.3 million, primarily from software license and hardware sales to clients in the cable industry. Professional services revenues increased \$3.7 million, entirely in the first half of 1997, reflecting higher levels of development work for PCS clients and enhancement requests from existing clients. Most of the remaining increase was from international revenues associated with acquisitions made in the last half of 1996 and some new international clients, partially offset by less activity with certain existing international clients.

Costs and Expenses

Operating expenses increased \$33.3 million or 8%. Direct costs of providing services increased \$10.0 million from higher business volume and additional costs from companies acquired in the second half of 1996. Research and development costs increased \$15.8 million reflecting higher development activity in support of the Precedent 2000 software platform for PCS subscribers. Total research and development costs were 15% of revenues in 1997 compared to 11% in 1996. The remaining increase was the result of higher depreciation as well as selling, general and administrative costs.

During 1997, CBIS incurred costs of \$8.7 million to reprogram systems and software for the Year 2000.

1996 Compared to 1995

Revenues

Revenues increased \$105.9 million or 28%. Data processing revenues increased \$30.3 million from the growth in wireless subscribers partially offset by lower volume on a long distance credit card contract. Professional services

revenues increased \$37.1 million from a combination of additional work from existing customers, new PCS clients, and revenues of Information Systems Development Partnership (ISD), a cable TV billing software company acquired in the fourth quarter of 1995. Revenues of ISD were also responsible for a higher level of computer hardware sales in 1996 than 1995. International revenues increased \$20.6 million, primarily from improved performance on one contract. This contract produced higher-than-average margins for the year. The revenues and contribution margin of this contract were recognized at a lower level in 1995 as a result of contract uncertainties. The acquisitions of ISD in late 1995, and International Computer Systems, Inc. and Swift Management Services in 1996, increased revenues by \$27 million in 1996.

Costs and Expenses

Operating expenses increased \$73.4 million or 22%. Direct costs of providing services increased \$40.0 million reflecting higher personnel and payroll-related costs, a new data center, and other expenses associated with a higher level of business volume. Research and development costs, excluding the in-process research and development special items, increased \$23.8 million as completion of the initial release of Precedent 2000-SM- required higher development activity. The remaining increase of \$9.6 million was the result of higher marketing, depreciation, and general and administrative expenses.

Special items recorded in both 1996 and 1995 related entirely to the write-off of acquired in-process research and development costs associated with acquisitions made in those years.

Teleservices

MATRIX is a leading provider of outsourced teleservices to communications and other marketing intensive companies worldwide. MATRIX's strategy is to offer a full range of customer service, sales support, help desk and telephone marketing solutions to major companies in its targeted industries. MATRIX focuses on developing long-term relationships in the communications, financial services, technology and consumer goods industries. MATRIX segments its services into traditional inbound and outbound programs and outsourced dedicated programs which offer a higher level of complexity and customization. Traditional services involve large shared capacities for significant sales campaigns and direct response programs. Outsourced services require dedicated agents to handle a specific company's more complex customer service and sales account management needs.

(\$ in millions)	1997	1996	% Change 97 vs. 96	1995	% Change 96 vs. 95
Revenues	\$447.6	\$367.1	22	\$271.1	35
Costs and expenses:					
Operating expenses	402.0	321.4	25	238.8	35
Year-2000 programming costs	1.2	--	--	--	--
Special items:					
Restructuring and goodwill impairment	35.0	--	--	39.6	--
Acquired research and development costs	--	2.0	--	--	--
Total	438.2	323.4	35	278.4	16
Operating income (loss)	\$ 9.4	\$ 43.7	(78)	\$ (7.3)	--
Excluding special items:					
Operating income	\$ 44.4	\$ 45.7	(3)	\$ 32.3	41
Operating margin	9.9%	12.4%		11.9%	

1997 Compared to 1996

Despite 22% revenue growth, 1997 was a challenging year for MATRIXX. During the second half of the year, the teleservices industry was adversely affected to a significant degree by softness in the market for teleservices and a reduction in overall marketing activities by certain large clients. These occurrences primarily impacted the traditional inbound/outbound segment of the teleservices market. MATRIXX was unable to reduce costs quickly as the market softness occurred. This was largely responsible for the 2.5 point decline in operating margin excluding special items. In response to these factors, MATRIXX announced a restructuring plan in the fourth quarter of 1997, which, when fully implemented, is expected to help MATRIXX improve its productivity and customer focus.

Revenues

Revenues increased \$80.5 million, up 22% from 1996. Excluding acquisitions made in the second half of 1996, revenues increased 13%. Dedicated services contributed revenue gains of \$97.8 million, primarily as the result of strong sales in the technology and telecommunications industries and acquisitions made in the second half of 1996. Traditional inbound/outbound service revenues decreased \$20.7 million as a result of softness in the market and a reduction in overall marketing activities by certain clients in the second half of the year.

Costs and Expenses

Operating expenses increased \$80.6 million or 25%. Expenses increased in 1997, principally as a result of increases in personnel and payroll-related costs, depreciation associated with new and expanded facilities and costs associated with businesses acquired in the last half of 1996. These growth-related costs, combined with softness in traditional inbound/outbound service revenues and profits in the second half of the year, caused the operating margin, excluding special items, to decline to 9.9% for the year.

The special item recorded in 1997 was a \$35.0 million fourth quarter restructuring charge for the consolidation of certain operating divisions and facilities. The 1996 special item was a \$2.0 million charge for the write-off of acquired in-process research and development costs related to acquisitions made in 1996.

1996 Compared to 1995

Revenues

Revenues increased \$96.0 million, or 35%, from strong growth throughout its teleservices business. Dedicated services revenues increased \$71.4 million from strong growth with a major client and from other technology and telecommunications industry clients. Acquisitions made in the second half of 1996 produced \$6.0 million of revenues in 1996. Most of the remaining increase came from traditional inbound/outbound services and international operations.

Costs and Expenses

Operating expenses excluding special items grew at the same rate as revenues in 1996. Personnel expenses increased at a higher rate than revenues in 1996, reflecting some wage pressure in certain labor markets. Telecommunications expense grew more slowly than revenues. Facilities costs and depreciation expense were higher reflecting expansion in the business.

Special items in 1996 consisted of \$2.0 million of in-process research and development costs associated with acquisitions. The special item in 1995 was a charge of \$39 million related to the impairment of goodwill associated with operations in France.

Other Income (Expense), Net

(\$ in millions)	1997	1996	% Change 97 vs. 96	1995	% Change 96 vs. 95
	\$ 19.3	\$ 12.1	60	\$(13.5)	--

1997 Compared to 1996

The increase was primarily a result of interest income related to an Internal Revenue Service (IRS) refund and an increase in joint venture income.

1996 Compared to 1995

Several non-recurring items in 1995 contributed to the change in other income (expense), net. In 1995, the Company incurred a \$13.3 million charge to terminate its interest rate and currency swap agreement, and recognized a \$5.0 million writedown in the carrying cost of certain real estate. Additionally, in 1996, income from joint ventures increased, net of litigation fees.

Interest Expense

(\$ in millions)	1997	1996	% Change 97 vs. 96	1995	% Change 96 vs. 95
	\$35.5	\$33.9	5	\$52.8	(36)

1997 Compared to 1996

Excluding a reversal of \$2.5 million in interest expense related to overearnings liabilities in the third quarter 1996, interest expense in 1997 was comparable to 1996.

The weighted average interest rate for debt was approximately 7.0% for both years and average debt outstanding decreased to \$498 million in 1997 from \$510 million in 1996.

1996 Compared to 1995

The retirement of high cost long-term debt in late 1995 and early 1996 resulted in reductions of \$17.8 million in interest expense. Also, the Company reversed \$2.5 million in accrued interest expense in the third quarter of 1996 related to overearnings liabilities. The weighted average interest rate decreased from 8.5% to 7.0%. Average debt outstanding decreased from \$599 million to \$510 million during the year.

Income Taxes

(\$ in millions)	1997	1996	% Change 97 vs. 96	1995	% Change 96 vs. 95
Income taxes	\$103.3	\$ 99.7	4	\$ 5.7	--
Effective tax rate	34.8%	35.0%		29.3%	
Effective tax rate excluding special items	34.6%	34.9%		35.6%	

1997 Compared to 1996 and 1996 Compared to 1995

In 1997, the increase in tax expense was the result of higher pre-tax income. The 1997 effective tax rate was comparable to the 1996 rate and was positively impacted by the extension of the research and development tax credit and the conclusion of the 1989-1994 federal tax return audits. The change in the effective tax rate from 1995 to 1996 was caused by the 1995 impairment writedown of non-deductible goodwill associated with MATRIX's operations in France.

Extraordinary Items, Net of Taxes

(\$ in millions)	1997	1996	% Change 97 vs. 96	1995	% Change 96 vs. 95
	\$210.0	--	--	\$ 7.0	--

As described in Note 3 of Notes to Financial Statements, the Company determined in the fourth quarter of 1997 that the continued application of SFAS 71 by CBT was no longer appropriate. The Company's determination that SFAS 71 should be discontinued was based upon a review of recent changes in CBT's competitive and regulatory environment. The result of the discontinuation of SFAS 71 was an extraordinary, non-cash charge of \$210.0 million, net of income taxes.

In December 1995, the Company retired, at a premium, \$75 million of 9.1% notes through a partial redemption and in-substance defeasance. The retirement resulted in an extraordinary charge of \$7.0 million, net of income taxes.

Financial Condition

Capital Investment, Resources and Liquidity

Management believes that the Company has adequate internal and external resources available to finance its on-going operating requirements, including network expansion and modernization, business development, dividend programs, the acquisitions of Transtech and the teleservices assets of Maritz Inc. and the investment in a PCS venture. These two acquisitions and the PCS investment are expected to require in excess of \$750 million in additional capital. As an issuer of investment grade credit, the Company foresees no difficulty in raising the required capital. The Company is currently working on updated syndicated bank lines of credit which should be more than adequate to provide for the Company's financial needs. This is expected to be completed during the first quarter of 1998. The Company may replace such short-term debt with permanent financing, including equity, to maintain its financial flexibility.

Cash provided by operating activities, which is the Company's primary source of liquidity, was \$329 million compared to \$252 million in 1996. The increase in cash flows from operations was due in large part to higher earnings levels excluding non-cash special and extraordinary items, higher levels of payables and certain other liabilities, and the receipt of a refund related to conclusion of the 1989-1994 federal tax return audits. The increase was partially offset by an increase in accounts receivable (which was the result of higher revenues and somewhat slower cash receipts), an increase in other current assets and more than \$10 million in contributions to the Company's qualified pension plans.

The Company's most significant investing activity continued to be capital expenditures. Capital expenditures were \$247 million, up \$28 million from 1996. At CBT, upgrades to switching and transmission equipment for high-capacity data lines, Internet access and strong access line gains are driving equipment spending to increase network capacity. CBT's capital expenditures were up more than \$40 million from 1996. In 1997, the Company also purchased a PCS license from the Federal Communications Commission (FCC) for the Cincinnati marketplace. The increase in 1997 capital spending was partially offset by the impact of 1996 capital expenditures for acquisitions by CBIS and MATRIX which totaled \$63 million in 1996. Capital expenditures for acquisitions in 1997 were \$14 million, primarily related to CBIS's acquisition of a nearly 20% interest in Wiztec Solutions Ltd. Capital expenditures for 1998, excluding acquisitions, are estimated to be up to \$260 million. The acquisitions of Transtech and the teleservice assets of Maritz Inc., along with the investment in a PCS venture could add in excess of \$750 million to this amount, bringing total 1998 capital expenditures to more than \$1 billion. This estimated amount would not include any additional acquisitions that may incur in 1998.

Balance Sheet

Receivables increased \$35.8 million from higher revenues at all companies and

slower collections at CBT and MATRIX. The investment by CBIS in Wiztec Solutions Ltd., a provider of customer care and billing for direct broadcast satellite and video services, caused the majority of the \$16.3 million increase in investments in unconsolidated entities. Net property, plant and equipment decreased by \$282.6 million, largely as a result of the \$327.7 million reduction caused by the discontinuance of SFAS 71. Deferred charges and other assets increased \$44.8 million from settlement gains, contributions and benefit payments related to Company's pension plans, and net changes in deferred taxes, partially offset by SFAS 71 write-offs of non-plant regulatory assets. Deferred income taxes and other long-term liabilities decreased \$106.9 million and \$22.9 million, respectively, primarily as a result of the discontinuation of SFAS 71 at CBT.

Capitalization

In January 1997, Duff & Phelps Credit Rating Co. (DCR) upgraded the Company's senior unsecured debt to A and its commercial paper rating to D-1. DCR also reaffirmed CBT's senior unsecured debt at AA-. In March 1997 Standard & Poor's (S&P) upgraded its rating on the Company's senior unsecured debt and the corporate credit rating to A from A-. The Company's commercial paper rating was also upgraded to A-1. Furthermore, CBT's AA- senior unsecured debt and corporate credit ratings were affirmed. In May 1997, Moody's Investor Service (Moody's) raised its rating on the Company's senior unsecured debt to A2 from A3 and its rating for commercial paper to P-1 from P-2.

With the announcement on December 23, 1997, that the Company had reached an agreement to buy Transtech for \$625 million, DCR, S&P and Moody's placed the Company under review for possible downgrade. The main reasons cited for these reviews were the Company's strategies for financing the acquisition, the near-term dilutive effect on cash flows by the acquired business and increased business risk.

On February 27, 1998, Moody's lowered the senior unsecured debt ratings of the Company to Baa1 from A2, and its commercial paper rating to P-2 from P-1. In addition, Moody's lowered the senior unsecured debt rating of CBT to A2 from Aa3. Moody's stated that the Company's acquisition of Transtech and its PCS investment could result in a negative impact on financial performance over the intermediate term and, along with the capital requirements of CBT, could result in significant external financing requirements. On March 2, 1998, DCR announced that it will continue to maintain the ratings of the Company's senior unsecured debt and commercial paper, but that the Company will remain under review for a possible downgrade. DCR also announced that it had reaffirmed CBT's senior unsecured debt rating at AA-. DCR indicated that its actions were predicated on the Company's intention to realign its long-term capital structure to a level consistent with an A rating. The ultimate outcome of the review by DCR is uncertain. On March 9, 1998, S&P lowered its rating on the Company's senior unsecured debt and the corporate credit rating to A- from A. The Company's commercial paper rating was lowered to A-2 from A-1. CBT's senior unsecured debt and corporate credit rating were also lowered to A+ from AA-. S&P stated that the Company's ratings reflect increased business risk and higher degree of financial risk associated with the Company's expansion in the outsourced marketing industry. The Company may issue equity in the future to maintain its desired credit ratings.

Qualitative and Quantitative Disclosures about Market Risk

The Company is exposed to the impact of interest rate changes and foreign currency fluctuations. In the normal course of business, the Company employs established policies and procedures to manage its exposure to changes in interest rates and fluctuations in the value of foreign currencies using a variety of financial instruments. It is the Company's policy to enter into interest rate and foreign currency transactions only to the extent considered necessary to meet its objectives. The Company does not enter into interest rate or foreign currency transactions for speculative purposes.

Interest Rate Risk Management -- The Company's objective in managing its exposure to interest rate changes is to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. To achieve its objective of managing its exposure to interest rate changes, the Company uses a combination of variable rate short-term and fixed rate long-term financial instruments as of December 31, 1997. The Company continually monitors the interest rates on its short-term commercial paper and bank loans. The following table presents descriptions of the Company's fixed-rate debentures and notes at December 31, 1997, which are sensitive to changes in interest rates.

Maturity Dates for Long-Term Debentures and Notes

	1998-2001	2002	Thereafter	Total	Fair Value
Fixed-rate debentures and notes (in millions)	--	\$20.0	\$220.0	\$240.0	\$250.8
Average interest rate	--	4.4%	7.1%	6.9%	

The Company's acquisition of Transtech and its investment in the PCS venture are expected to increase its short-term variable interest rate exposure significantly.

Foreign Currency Risk Management -- The Company's objective in managing the exposure to foreign currency fluctuations is to reduce earnings and cash flow volatility associated with foreign exchange rate changes to allow management to focus its attention on its core business issues. Foreign currency exposures at December 31, 1997 and 1996, were immaterial.

In December 1995, the Company terminated an interest rate and currency swap agreement that was entered into in 1990 to hedge the Company's investment in a French subsidiary of MATRIXX. The agreement effectively converted \$41.7 million of the Company's short-term variable rate borrowings to long-term French franc fixed interest-rate debt due in the year 2000. Currency gains and losses were reflected in the currency adjustment in the shareholders' equity. The net effect of the swap was to increase interest expense by \$5.1 million for the year ended December 31, 1995. The swap also increased the Company's weighted average interest rate from 7.7% to 8.5% in 1995. There were no foreign currency swap agreements or other foreign currency derivative instruments outstanding at December 31, 1997.

Regulatory Matters

Telecommunications Competition

Recently enacted and future legislative, regulatory and judicial developments will have an impact on CBT and other local exchange carriers (LECs). The extent of this impact will not be known until the related initiatives have been fully implemented. The basic thrust of these developments is to encourage competition in the telecommunications industry by removing barriers to market entry.

Federal -- CBT's operations are being greatly impacted by the Telecommunications Act of 1996 (the Act) and rules and regulations issued thereunder. The Act requires incumbent LECs, such as CBT, to interconnect with the networks of other service providers, unbundle certain network elements and make retail telecommunications services available to competing providers at wholesale rates. Beginning in 1996, the FCC adopted orders implementing the Act's provisions to open local exchange service markets to competition.

On August 8, 1996, the FCC issued its order on interconnection, the first of three significant rulings that will determine the ground rules for local exchange competition. CBT and several other incumbent LECs sought review of this order by the United States Court of Appeals on the grounds that the order is inconsistent with the requirements of the Act. On July 18, 1997, the Court of Appeals issued its decision on this matter stating that the FCC rules exceeded the FCC's authority under the Act in several areas. Among other things, the Court rejected the FCC pricing guidelines and the "pick and choose" rule which would have allowed new entrants to select the most favorable provisions of interconnection arrangements. The Court did affirm the obligation of incumbent LECs to let rival companies use their electronic ordering systems and various elements of their network. On October 14, 1997, the Court issued an order that vacated the portion of the FCC's interconnection rules that required incumbent LECs to combine unbundled network elements for interconnectors. With the Court of Appeals decision, which has been appealed by the FCC, these issues on interconnection and pricing now fall into the state jurisdiction, the effects of which on CBT cannot yet be determined.

On May 7, 1997, the FCC adopted orders on access charge reform and a new universal service program. The access charge reform order generally removed

from minute-of-use access rates, costs that are not incurred on a per-minute-of-use basis. The order also adopted changes to the interstate rate structure for transport services which are designed to move the charges for these services to more cost-based levels. The universal service order reformed the existing system of universal service in a manner that will permit local telephone markets to move to a competitive arena. The order provides continued support to low-income consumers and will help to connect eligible schools, libraries and rural health care providers to the global telecommunications network. Several parties have filed cases with the Court on various issues within these two orders. Given the ongoing regulatory and judicial developments in these areas, it is not yet possible to determine fully the impact of the Act and related FCC regulations on CBT operations.

Effective July 1, 1997, CBT's price-cap tariff filing was approved by the FCC without suspension. This means CBT's interstate access and toll prices will be regulated, rather than its earnings. Prices will be capped or indexed annually based on the difference of inflation, as measured by the GDP-PI, a 6.5% productivity offset and exogenous cost adjustments. The FCC retained provisions that allow carriers earning less than a 10.25% rate of return to adjust their indices to reflect the 10.25% level. The election of price caps will better enable CBT to meet the challenges being faced in the new competitive environment. CBT and Citizens Utilities have filed petitions for reconsideration with the FCC to revisit the establishment of the 6.5% productivity offset. In addition, several appeals have been filed with the U.S. Court of Appeals regarding the order establishing the 6.5% productivity offset. At this time, the impact of the petition for reconsideration and the appeals can not be determined.

Ohio -- Beginning in the fourth quarter of 1997, CBT has begun to see increased competition under the Public Utilities Commission of Ohio's (PUCO) local service guidelines. The ultimate impact of the increased competition will depend upon court rulings, how the PUCO addresses CBT's request to suspend/modify certain of the local competitive requirements and the outcome of CBT's alternative regulation proceeding. A number of entities have requested interconnection arrangements with CBT to date. CBT has negotiated interconnection arrangements with five wireless carriers, (AirTouch, Ameritech Cellular, GTE Wireless, AT&T Wireless, and Nextel Wireless). On August 7, 1997, CBT filed a two-year interconnection agreement with Time Warner Communications with the PUCO. Two additional negotiated agreements (with Intermedia Communications and TCG of Ohio) were completed and filed with the PUCO in the fourth quarter of 1997. The agreements set terms by which these companies will connect to CBT's network, including how calls will be exchanged and how each company will be compensated.

In August 1997, the PUCO issued decisions in arbitration cases involving CBT and MCI and IntelCom Group. These rulings set terms, prices and conditions for connection with CBT's network. Revised interconnection agreements between CBT and these companies have been filed and both companies are proceeding with plans to offer local service in Ohio. MCI's agreement includes terms for MCI to resell CBT's communications services, as well as for MCI to be a facilities-based competitor.

On February 5, 1997, CBT filed an application with the PUCO seeking approval of a new alternative regulation plan called "Commitment 2000" to supersede an existing plan which expired in May 1997. The PUCO issued an order that all rates, terms and conditions of that existing plan will continue until a decision is made regarding Commitment 2000. The Commitment 2000 plan proposes marketing and pricing flexibility which will enable CBT to be more responsive to competition. Additionally, the plan provides for a realignment of rates by reducing business rates and increasing residence rates in a revenue-neutral manner.

On November 17, 1997, the PUCO issued its staff report on CBT's Commitment 2000 Plan. The staff report is a key milestone in a process that includes formal hearings before the PUCO. In its report the PUCO staff recommended a decrease in CBT's annual revenue of between \$5.5 and \$10 million and allowed for other adjustments that could significantly increase the amount of the annual revenue reduction. The staff also recommended elimination of monthly TouchTone charges, that CBT's future prices be based on a rate of inflation measured by the GDP-PI, a productivity factor of 4% to 6.5% and a service quality adjustment. If the staff's recommendation regarding service quality is accepted by the PUCO, CBT's prices for local service could be reduced up to 2.5% if CBT's customer service deteriorates below its historical standards. In its report, the PUCO staff also rejected CBT's proposal to rebalance rates, stating that increases for local residential service would not be allowed until significant competition existed in the local market.

Kentucky -- On May 9, 1997, CBT filed a petition with the Public Service Commission of Kentucky (PSCK) for suspension and modification of certain requirements of local competition mandated by the FCC. The PSCK opened a proceeding to address CBT's request and set the matter for hearing in October 1997. On September 30, 1997, CBT filed to withdraw its petition due to a delay by the PUCO to a similar request on the Company's Commitment 2000 plan. CBT may refile its request with the PSCK after a decision is rendered in Ohio.

CBT has received a notice from the PSCK that a management audit will be conducted beginning in the first quarter of 1998. The PSCK is required to periodically conduct management audits of the largest regulated entities under its jurisdiction.

Business Outlook

Communications Services

Competition in the local exchange business is increasing, due to legislative and regulatory initiatives, as well as new technologies. CBT continues to develop new service offerings to help offset future competitive loss. CBT is working to assure implementation of rules that result in fair competition. The outcome of the regulatory process with respect to CBT's Commitment 2000 rate filing could result in significant reductions to CBT's revenues and earnings. Similarly, increased competition may make it more difficult for CBT to maintain current revenue and profit levels.

CBT will continue to incur significant expenses in 1998 in preparation for regulator-mandated interconnection and local number portability. In 1998, total mandated costs could be in a range of \$15 to \$25 million with the majority of these costs expected to be incurred in the first half of the year. Additionally, CBT's Year-2000 programming costs are expected to be in the range of \$10 to \$15 million in 1998 but should be less in 1999.

CBT will continue to develop new products and services in an effort to broaden the services it can offer to its customers. These actions, if undertaken, could cause expenses to increase in advance of corresponding revenues and could require significant incremental capital expenditures.

On February 2, 1998, the Company announced that it had reached agreement on a multi-year renewal of agreements between CBT and AT&T under which the companies provide services to each other. Revenues from the new agreements are expected to be less than 5% of the segment's annual revenues.

On February 3, 1998, the Company announced a venture with AT&T to provide PCS in the Greater Cincinnati and Dayton markets. The venture agreement provides that CBW will acquire an 80% interest in the venture for more than \$100 million. The closure of this transaction, which the Company believes will occur sometime in 1998, is dependent upon, among other things, FCC approval of a PCS license transfer from AT&T to the venture. CBW is committed to funding certain start-up operating losses of the venture beginning in February 1998. Accordingly, the Company will reflect these losses in its consolidated financial reporting as incurred. Company management expects CBW's share of the venture's losses to be approximately \$.15 per share in 1998. This expectation is based upon several assumptions including the actual closing of the transaction and market acceptance of the PCS offering and, therefore, actual losses could vary significantly from the Company's expectation.

CBLD, CBD and CBS face stiff competition in their markets especially from larger companies. In order to assure success, they will continue to offer and develop superior products, services and value. The focus will be on niche markets and opportunities. CBD now competes with its former sales representative for Yellow Page Services. This new competition may affect CBD's ability to grow revenues and profits.

Information Systems

CBIS provides quality service to its clients because of its knowledge of the market, technology and client needs. CBIS continues to rely on a few significant clients for most of its revenue. CBIS's top three clients, excluding CBT, accounted for 62% of its revenues in 1997. CBIS maintains multi-year contracts with its clients, but some contracts have early termination clauses. The loss of one of the top three clients could result in a material reduction in revenues and profits. One client representing approximately 7% of CBIS's 1997 revenues committed in 1997 to renew the relationship through August 2004. The Company earlier reported that the relationship with this client might be terminated. CBIS may renegotiate one or more major contracts in 1998, exchanging lower prices for longer contract terms and a broader relationship. These negotiations could negatively impact

future results.

CBIS's success is in part dependent upon the success and acceptance of its clients' product offerings in the marketplace. A significant amount of CBIS's growth is directly related to increased wireless subscribers in the United States. As the installed base of wireless customers becomes larger, growth rates should decrease. Additionally, certain international network management system development projects are nearing completion causing a need for new sources of revenues to achieve growth.

CBIS will incur a substantial amount of Year-2000 programming costs because it is reliant on information systems software and equipment. These costs will likely be in the range of \$15 to \$20 million in 1998, and are expected to be lower in 1999. The demand for programming resources to address the Year-2000 issue worldwide could constrain CBIS's ability to hire and retain the required resources and lead to increased labor costs for programming talent. CBIS believes that its ability to maintain a leadership position in the technological development of billing systems will be critical to its future.

Teleservices

Expected teleservices market growth and MATRIX's range of services and focus on dedicated outsourcing should continue to provide for future growth. The teleservices business is very competitive and experienced softness in the "traditional" market sector during the second half of 1997. "Outsourced marketing services", where clients are served by a dedicated MATRIX service team, represents approximately two-thirds of MATRIX's revenues and should continue to grow faster than the "traditional" market sector. To enhance services to its clients, improve productivity and better position itself for further growth, MATRIX took a fourth quarter restructuring charge of \$35 million. The changes from the restructuring plan are expected to contribute \$10 million in annual savings when fully implemented. The outlook for existing MATRIX operations is for improvement from the second half of 1997 in revenues and earnings reflecting adjustments made to MATRIX's cost structure.

MATRIX's top three clients accounted for 36% of its 1997 revenues, down from 44% in 1996. Loss of any significant contracts would have an adverse effect on its revenues and profits. MATRIX must continue to win new contracts and grow its business with existing clients in a competitive market with excess call-center capacity. The level of success of MATRIX's clients in their markets is also an important driver of MATRIX's growth.

On January 8, 1998, MATRIX acquired the teleservices assets of Maritz Inc. which had revenues of approximately \$50 million in 1997. The acquisition is expected to increase MATRIX's revenues in 1998 and have an immaterial impact on earnings.

On March 3, 1998, MATRIX acquired Transtech for approximately \$625 million. The acquisition will initially be financed through short-term debt and will likely result in a first quarter 1998 charge to write off certain acquired in-process research and development costs. The acquired operations had revenues of approximately \$400 million in 1997. The acquisition and related financing is expected to have a dilutive effect on 1998 earnings and will further increase MATRIX's concentration of revenues from its three largest clients. The acquisition will nearly double the size of MATRIX, making it the world's largest provider of outsourced teleservices. A successful integration of Transtech's operations with those of MATRIX is important for the Company to achieve its business objectives.

MATRIX has begun to incur costs in response to the Year-2000 issue. These costs are expected to be in a range of \$12 to \$18 million in 1998, including approximately \$8 to \$10 million for Transtech. MATRIX's Year-2000 costs are expected to be lower in 1999.

Year-2000 Programming

The Company incurred \$14.1 million in expenses in 1997 in order to prepare its software and systems for the Year 2000. The estimate for Year-2000 programming costs in 1998 could be in a range up to approximately \$50 million, including approximately \$8 to \$10 million for Transtech, but these costs are expected to be lower in 1999. Some major CBIS applications are expected to be Year-2000 compliant in 1998. If the Company were to be unsuccessful in readying its software and systems for the Year 2000, the effect that this would have on client relationships, particularly in the Information Systems segment, would have a material adverse impact on the Company. The failure of one of the Company's significant clients or suppliers to successfully modify its systems for the Year 2000 could also have an adverse impact on the Company.

Business Development

The Company continues to review opportunities for acquisitions and divestitures for all of its businesses.

Reports of Management and Independent Accountants

Cincinnati Bell Inc.

Report of Management

The management of Cincinnati Bell Inc. is responsible for the information and representations contained in this Annual Report. Management believes that the financial statements have been prepared in accordance with generally accepted accounting principles and that the other information in the Annual Report is consistent with those statements.

In preparing the financial statements, management is required to include amounts based on estimates and judgments that it believes are reasonable under the circumstances.

In meeting its responsibility for the reliability of the financial statements, management maintains a system of internal accounting controls, which is continually reviewed and evaluated. Our internal auditors monitor compliance with the system of internal controls in connection with their program of internal audits. However, there are inherent limitations that should be recognized in considering the assurances provided by any system of internal accounting controls. The concept of reasonable assurance recognizes that the costs of a system of internal accounting controls should not exceed, in management's judgment, the benefits to be derived. Management believes that its system provides reasonable assurance that assets are safeguarded and that transactions are properly recorded and executed in accordance with management's authorization, that the recorded accountability for assets is compared with the existing assets at reasonable intervals, and that appropriate action is taken with respect to any differences. Management also seeks to assure the objectivity and integrity of its financial data by the careful selection of its managers, by organization arrangements that provide an appropriate division of responsibility, and by communications programs aimed at assuring that its policies, standards and managerial authorities are understood throughout the organization.

The financial statements have been audited by Coopers & Lybrand L.L.P., independent accountants. Their audit was conducted in accordance with generally accepted auditing standards.

The Audit Committee of the Board of Directors (see page 45), which is composed of five directors who are not employees, meets periodically with management, the internal auditors and Coopers & Lybrand L.L.P. to review their performance and responsibilities and to discuss auditing, internal accounting controls and financial reporting matters. Both the internal auditors and the independent accountants periodically meet alone with the Audit Committee and have access to the Audit Committee at any time.

Brian C. Henry
EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Report of Independent Accountants

TO THE SHAREOWNERS OF CINCINNATI BELL INC.

We have audited the accompanying consolidated balance sheets of Cincinnati Bell Inc. and subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of income, common shareowners' equity and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly,

in all material respects, the consolidated financial position of Cincinnati Bell Inc. and subsidiaries as of December 31, 1997 and 1996, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

As discussed in Note 3 to the Financial Statements, the Company discontinued applying the provisions of Statement of Financial Accounting Standard No. 71, "Accounting for the Effects of Certain Types of Regulation," in 1997.

Cincinnati, Ohio
February 16, 1998,
except for Note 21 as to which
the date is March 3, 1998

Consolidated Statements of Income

Cincinnati Bell Inc.

Millions of dollars except per share amounts	Year ended December 31	1997	1996	1995
Revenues		\$1,756.8	\$1,573.7	\$1,336.1
Costs and Expenses:				
Costs of products and services		935.2	850.3	705.2
Selling, general and administrative		288.7	273.8	250.8
Depreciation and amortization		185.4	172.8	162.2
Year-2000 programming costs		14.1	--	--
Mandated telecommunications costs		6.3	--	--
Special charges (credits)		14.0	(29.7)	171.2
Total costs and expenses		1,443.7	1,267.2	1,289.4
Operating Income		313.1	306.5	46.7
Other Income (Expense), Net		19.3	12.1	(13.5)
Interest Expense		35.5	33.9	52.8
Income (Loss) Before Income Taxes and Extraordinary Items		296.9	284.7	(19.6)
Income Taxes		103.3	99.7	5.7
Income (Loss) Before Extraordinary Items		193.6	185.0	(25.3)
Extraordinary Items, Net of Taxes		(210.0)	--	(7.0)
Net Income (Loss)		\$ (16.4)	\$ 185.0	\$ (32.3)
Basic Earnings (Loss) Per Common Share				
Income (Loss) Before Extraordinary Items		\$ 1.43	\$ 1.38	\$ (.19)
Extraordinary Items		(1.55)	--	(.05)
Net Income (Loss)		\$ (.12)	\$ 1.38	\$ (.24)
Diluted Earnings (Loss) Per Common Share				
Income (Loss) Before Extraordinary Items		\$ 1.41	\$ 1.35	\$ (.19)
Extraordinary Items		(1.53)	--	(.05)
Net Income (Loss)		\$ (.12)	\$ 1.35	\$ (.24)
Weighted Average Common Shares Outstanding (millions)				
Basic		135.2	133.9	132.0
Diluted		137.7	137.2	133.5

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

Consolidated Balance Sheets

Cincinnati Bell Inc.

Millions of dollars at December 31 1997 1996

Assets

Current Assets

Cash and cash equivalents	\$ 9.9	\$ 2.0
Receivables, less allowances of \$14.0 and \$11.7	350.8	315.0
Material and supplies	16.3	17.3
Deferred income tax benefits	24.6	15.4
Prepaid expenses and other current assets	48.4	40.9

Total current assets	450.0	390.6

Property, Plant and Equipment, Net	703.2	985.8
Goodwill and Other Intangibles	195.0	205.1
Investments in Unconsolidated Entities	77.6	61.3
Deferred Charges and Other Assets	72.9	28.1

Total Assets	\$1,498.7	\$1,670.9

Liabilities and Shareowners' Equity

Current Liabilities

Debt maturing within one year	\$ 190.6	\$ 224.2
Payables and other current liabilities	344.3	288.1

Total current liabilities	534.9	512.3

Long-Term Debt	269.2	279.5
Deferred Income Taxes	12.7	119.6
Other Long-Term Liabilities	102.2	125.1

Total liabilities	919.0	1,036.5

Commitments and Contingencies

Shareowners' Equity

Common shares, \$1 par value	136.1	135.1
Additional paid-in capital	229.8	213.1
Retained earnings	217.7	288.5
Currency translation adjustments	(3.9)	(2.3)

Total shareowners' equity	579.7	634.4

Total Liabilities and Shareowners' Equity	\$1,498.7	\$1,670.9

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

Consolidated Statements of Cash Flows

Cincinnati Bell Inc.

Millions of dollars	Year ended December 31		
	1997	1996	1995

Cash Flows From Operating Activities:			
Net income (loss)	\$ (16.4)	\$185.0	\$(32.3)
Adjustments to reconcile net income (loss)			
to net cash provided by operating activities:			
Depreciation and amortization	185.4	172.8	162.2
Special charges (credits)	14.0	(29.7)	171.2
Provision for loss on receivables	11.5	9.0	8.5
Charges for purchased research and development	--	5.0	7.5
Extraordinary items, net of taxes	210.0	--	7.0
Other, net	(15.2)	.1	(.4)
Change in assets and liabilities net of effects from acquisitions and disposals:			
Increase in receivables	(46.7)	(45.6)	(34.1)
Increase in other current assets	(16.7)	(1.4)	(1.1)

Increase (decrease) in accounts payable and accrued liabilities	22.3	(35.9)	(1.4)
Decrease in other current liabilities	(38.4)	(13.5)	(11.2)
Increase (decrease) in deferred income taxes and unamortized investment tax credits	4.8	6.4	(50.5)
Decrease (increase) in other assets and liabilities, net	14.8	(.2)	7.3
Change in assets and liabilities from termination of swap agreement	--	--	(36.6)
Net cash provided by operating activities	329.4	252.0	196.1
Cash Flows From Investing Activities:			
Capital expenditures - telephone plant	(143.9)	(99.3)	(89.7)
Capital expenditures - other	(88.9)	(56.9)	(25.6)
Acquisitions, net of cash acquired	(13.9)	(62.7)	(31.4)
Dispositions of assets	--	12.7	--
Other, net	13.3	(4.9)	5.4
Net cash used in investing activities	(233.4)	(211.1)	(141.3)
Cash Flows From Financing Activities:			
Issuance of long-term debt	--	--	21.9
Repayment of long-term debt	(109.0)	(90.9)	(78.4)
Net increase (decrease) in short-term debt	66.1	79.1	(29.9)
Issuance of common shares	9.1	23.7	9.1
Dividends paid	(54.3)	(53.7)	(53.0)
Net cash used in financing activities	(88.1)	(41.8)	(130.3)
Net increase (decrease) in cash and cash equivalents	7.9	(.9)	(75.5)
Cash and cash equivalents at beginning of year	2.0	2.9	78.4
Cash and cash equivalents at end of year	\$ 9.9	\$ 2.0	\$ 2.9

The accompanying notes are an integral part of the financial statements

Consolidated Statements of Common Shareowners' Equity Cincinnati Bell Inc.

Common Shareowners' Equity						
Millions of dollars except per share amounts Restated for two-for-one share split in May 1997	Total	Common Shares	Additional Paid-In Capital	Retained Earnings	Currency Translation Adjustments	Common Shares Outstanding (millions)
Balance at January 1, 1995	\$552.4	\$131.8	\$173.6	\$246.6	\$.4	131.8
Shares issued under shareowner and employee plans	14.5	1.4	13.2	(.1)	--	1.4
Other shares issued	2.8	.2	2.6	--	--	.2
Net loss	(32.3)	--	--	(32.3)	--	--
Pension liability adjustment	(4.0)	--	--	(4.0)	--	--
Currency translation adjustments	(2.2)	--	--	--	(2.2)	--
Dividends on common shares \$.40 per share	(53.1)	--	--	(53.1)	--	--
Balance at December 31, 1995	478.1	133.4	189.4	157.1	(1.8)	133.4
Shares issued under shareowner and employee plans	25.7	1.7	23.7	.3	--	1.7
Net income	185.0	--	--	185.0	--	--
Currency translation adjustments	(.5)	--	--	--	(.5)	--
Dividends on common shares \$.40 per share	(53.9)	--	--	(53.9)	--	--
Balance at December 31, 1996	634.4	135.1	213.1	288.5	(2.3)	135.1
Shares issued under shareowner and employee plans	17.7	1.0	16.7	--	--	1.0
Net loss	(16.4)	--	--	(16.4)	--	--
Currency translation adjustments	(1.6)	--	--	--	(1.6)	--
Dividends on common shares \$.40 per share	(54.4)	--	--	(54.4)	--	--
Balance at December 31, 1997	\$579.7	\$136.1	\$229.8	\$217.7	\$(3.9)	136.1

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

Notes to Financial Statements

1. Accounting Policies

Consolidation and Basis of Presentation -- The consolidated financial statements include the accounts of Cincinnati Bell Inc. and its wholly owned subsidiaries (the Company). The Company is a diversified communications company with principal businesses in three industry segments. The Information Systems segment, Cincinnati Bell Information Systems Inc. (CBIS), provides and manages customer-care and billing solutions for the communications and cable TV industries. The Teleservices segment, MATRIXX Marketing Inc. (MATRIXX), provides a full range of outsourced marketing solutions to large corporations. The Communications Services segment, consisting of Cincinnati Bell Telephone Company (CBT), Cincinnati Bell Long Distance Inc. (CBLD),

Cincinnati Bell Directory Inc. (CBD), Cincinnati Bell Supply Company (CBS) and Cincinnati Bell Wireless Company (CBW), provides local telephone exchange services and products in Greater Cincinnati, long distance services, yellow pages and directory services, and telecommunications equipment. CBW was formed during the fourth quarter of 1997 for the purpose of providing customers in the Greater Cincinnati and Dayton markets advanced digital personal communications services (PCS), voice, paging, E-mail messaging, other features and associated products. CBLD, CBD and CBS, previously in a separate category, are now included in the Communications Services segment to better reflect the Company's communications business. All significant intercompany transactions and balances have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform with the current classifications with no effect on financial results.

Regulatory Accounting -- In the fourth quarter of 1997, the Company discontinued accounting under Statement of Financial Accounting Standards (SFAS) 71, "Accounting for Certain Types of Regulation" at CBT (see Note 3).

Use of Estimates -- Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

Cash Equivalents -- Cash equivalents consist of short-term highly liquid investments with original maturities of three months or less.

Property, Plant and Equipment -- Property, plant and equipment are stated at cost. The Company's provision for depreciation of telephone plant is determined on a straight-line basis using the remaining life method. Prior to the discontinuation of SFAS 71, the depreciation of telephone plant at CBT was determined using lives allowed by regulators. As a result of the discontinuation of SFAS 71, CBT recognized shorter, more economically realistic lives than those prescribed by regulators and increased its accumulated depreciation balance by \$309.0 million (see Note 3). The provision for depreciation of other property is based on the straight-line method over the estimated useful life.

Telephone plant is retired at its original cost, net of cost of removal and salvage, and is charged to accumulated depreciation. For other property, plant and equipment retired or sold, the gain or loss is recognized in other income.

Software Development Costs -- Research and development expenditures are charged to expense as incurred. Product development costs were \$79.9 million, \$60.4 million and \$39.0 million in 1997, 1996 and 1995, respectively. The development costs of software to be marketed are charged to expense until technological feasibility is established. After that time, the remaining software development costs are capitalized and recorded in property, plant and equipment. Amortization of the capitalized amounts is computed on a product-by-product basis using the straight-line method over the remaining estimated economic life of the product, generally not exceeding four years. At December 31, 1996, the carrying value of capitalized software was \$9.5 million. This amount was fully amortized at December 31, 1997. Year-2000 programming costs are expensed as incurred.

Goodwill and Other Intangibles -- Goodwill and other intangibles are recorded at cost and amortized on a straight-line basis over 5 to 40 years. Goodwill and other intangibles are evaluated periodically as events or circumstances indicate a possible inability to recover their carrying amount. Such evaluation is based on various analyses, including cash flow and profitability projections. If future expected undiscounted cash flows are insufficient to recover the carrying amount of the asset, an impairment loss is recognized.

Revenue Recognition -- Local telephone service revenues are generally billed monthly in advance and are recognized when services are provided. Information systems revenues primarily consist of data processing revenue recognized as services are performed. On certain long-term telecommunications systems development contracts, the percentage of completion method is used to recognize the revenues. Because the percentage of completion method requires estimates of costs to complete contracts, it is possible that estimated costs to complete contracts will be revised in the near term. Revenues from software maintenance agreements are deferred and are recognized over the

maintenance period. Software licensing revenues are recognized when delivery of the software occurs if the Company does not have to provide additional significant service under the contract. All other revenues are recognized when the services are performed.

Income Taxes -- The provision for income taxes consists of an amount for taxes currently payable and a provision for tax consequences deferred to future periods using the liability method. For financial statement purposes, deferred investment tax credits are being amortized as a reduction of the provision for income taxes over the estimated useful lives of the related property, plant and equipment.

Stock-Based Compensation -- Compensation cost is measured under the intrinsic value method. Pro forma disclosures of net income and earnings per share are presented as if the fair value method had been applied.

Currency Translation -- Assets and liabilities of foreign operations, where the functional currency is the local currency, are translated to U.S. dollars at year-end exchange rates. Translation adjustments are accumulated and reflected as a separate component of shareowners' equity. Revenue and expenses are translated at average exchange rates for the year.

Financial Instruments -- In the normal course of business, the Company may employ financial instruments to manage its exposure to fluctuations in interest rates and foreign currency exchange rates. The Company does not hold or issue derivative financial instruments for trading purposes.

2. Special Items

1997

Business Restructurings MATRIXX

In the fourth quarter of 1997, the Company approved a restructuring plan for MATRIXX. The restructuring plan will result in the consolidation of certain operating divisions and facilities. The Company recorded a special charge of \$35.0 million which reduced net income by \$23.0 million. The charge included \$9.5 million in lease termination costs, \$7.5 million in severance pay under existing severance plans, \$7.6 million in non-cash goodwill writedowns associated with operations to be restructured, \$6.3 million in non-cash property and equipment writedowns related to facilities to be closed and \$4.1 million in other restructuring costs.

During 1997, cash payments applied to the restructuring liability were \$1.6 million, principally for severance pay. Also during 1997, \$7.4 million in non-cash items were charged against the reserve. The accrued restructuring reserve liability at December 31, 1997, was \$26.0 million, which is primarily for lease termination costs, severance pay, additional non-cash writedowns and other restructuring costs. Remaining cash outflows under the plan are estimated to be \$18.3 million and management expects the restructuring plan activities to be completed by December 31, 1998.

CBI and CBT

In 1995, the Company initiated a restructuring plan resulting in the need for fewer people to operate the businesses of CBT and CBI. Over 1,300 employees accepted the early retirement offer and left through the first quarter of 1997. In 1997, non-cash settlement gains resulting from lump-sum pension distributions to employees retiring under the offer were \$21.0 million. Cash expenditures in 1997 were \$3.2 million for severance, vacation buyouts and lease payments. Management believes that the remaining balance of \$5.3 million in the restructuring liability is adequate.

1996

Business Restructuring -- CBT and CBI recorded \$27.4 million of non-cash pension settlement gains related to the 1995 business restructuring and reversed \$2.3 million of the restructuring liability which increased net income by \$18.9 million. Cash expenditures of \$3.2 million for vacation buyouts, severance and real estate costs and the above reversal reduced the liability to \$8.7 million at year end. The liability reversal was the result of better-than-expected utilization of leased real estate.

Non-recurring Items -- Costs and expenses include \$5.0 million of in-process

research and development costs which were expensed in connection with acquisitions. This reduced net income by \$3.1 million.

Interest expense reflects a reversal of \$2.5 million of accrued interest by CBT related to overearnings liabilities. As a result, net income increased \$1.6 million.

1995

Business Restructuring -- In 1995, the Company recorded charges of \$131.6 million, net of settlement gains, to reflect the cost of the CBT and CBI restructuring plan. The charges included \$58 million for pension enhancements, \$54 million of curtailment losses for postretirement health care costs, \$7 million for lease termination costs, \$4 million for vacation buyouts and severance pay and the remainder for other costs. The charges reduced net income by approximately \$84 million.

Additionally, cash payments of \$7.7 million were applied to the restructuring liability, including \$4 million for the non-qualified portion of lump-sum pension distributions and \$3.4 million for vacation buyouts and severance.

Goodwill Impairment -- In December 1995, the Company recognized an impairment loss of \$39 million resulting from the writedown of goodwill related to MATRIX's French telephone marketing business.

Non-recurring Items -- Costs and expenses include \$7.5 million of in-process research and development costs which were expensed in connection with CBIS acquisitions. This reduced net income by \$4.6 million.

Other income (expense), net includes a charge to reduce to market value real estate held for sale, which decreased net income by \$3.3 million. Also included is a charge resulting from termination of the Company's interest rate and currency swap agreement, which was used to hedge its investment in MATRIX's French operations, reducing net income by \$8.5 million.

3. Extraordinary Items

1997

Discontinuation of SFAS 71

In the fourth quarter of 1997, the Company determined that, as a result of changes in CBT's competitive and regulatory environment, the application of SFAS 71 was no longer appropriate. As a result of the discontinuation of SFAS 71, CBT recorded an extraordinary non-cash charge of \$210.0 million, which is net of a related deferred tax benefit and investment tax credit of \$129.2 million.

The components of the charge are as follows:

Millions of dollars

Change in plant-related balances	\$327.7
Eliminate other net regulatory assets and liabilities	11.5

Total pre-tax charge	\$339.2
Total after-tax charge	\$210.0

The change in plant balances primarily represents an increase in accumulated depreciation of \$309.0 million for the removal of an embedded regulatory asset resulting from the use of regulatory lives for depreciation of plant assets which have typically been longer than the estimated economic lives. The adjustment was supported by a discounted cash flow analysis which estimated amounts of plant that would not be recoverable from future cash flows. The adjustment also included elimination of accumulated depreciation reserve deficiencies recognized by regulators and a writedown of analog switching equipment scheduled for replacement.

The following is a comparison of new depreciation lives to those prescribed by regulators for selected plant categories:

Average lives in years	Regulator- Prescribed	Estimated Economic
Digital switch	15	12
Digital circuit	11	9
Conduit	50	50
Copper cable	18-25	15-17
Fiber cable	25	20-22

The discontinuance of SFAS 71 required CBT to eliminate from its balance sheet the effects of any other actions of regulators that had been recognized as assets and liabilities pursuant to SFAS 71, but would not have been recognized as assets and liabilities by enterprises in general. Included in the elimination of regulatory assets and liabilities were adjustments of deferred tax levels to the currently enacted statutory rates and elimination of other income tax-related regulatory assets and liabilities. Prior to the discontinuance of SFAS 71, CBT had recorded deferred income taxes based upon the cumulative amount of income tax benefits previously flowed through to rate payers and recorded a regulatory asset for the same amount (\$10.2 million at December 31, 1996). Also, CBT had recorded a regulatory liability of \$22.1 million at December 31, 1996, a substantial portion of which represented the excess deferred income taxes on depreciable assets, resulting primarily from the reduction in the statutory federal income tax rate from 46% to 35%.

The discontinuation of SFAS 71 at CBT had no effect on the accounting for the Company's other subsidiaries.

1995

Debt Extinguishment

In December 1995, the Company retired, at a premium, \$75 million of 9.1% notes through redemption and partial in-substance defeasance. The cost of retirement reduced net income by \$7 million.

4. Income Taxes

The components of income tax expense are as follows:

Millions of dollars	Year ended December 31	1997	1996	1995
Current:				
Federal		\$108.5	\$80.6	\$49.7
State and local		13.1	6.5	6.3
Total current		121.6	87.1	56.0
Deferred		(17.1)	14.5	(49.0)
Investment tax credits		(1.2)	(1.9)	(1.3)
Total		\$103.3	\$99.7	\$ 5.7

The components of the Company's deferred tax assets and liabilities are as follows:

Millions of dollars	at December 31	1997	1996
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Deferred tax asset:		
Restructuring charges	\$12.5	\$ 3.2
Employee benefits	18.0	23.0
Unamortized investment tax credit	3.5	7.0
Loss carryforwards	26.7	26.7
Other	20.0	20.9

	80.7	80.8
Valuation allowance	(21.7)	(21.7)

Net deferred tax asset	59.0	59.1

Deferred tax liability:		
Depreciation and amortization	23.8	144.2
Basis differences on items previously flowed through to ratepayers	--	10.2
Other	1.2	2.7
Total deferred tax liability	25.0	157.1

Net deferred tax asset (liability)	\$34.0	\$(98.0)

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

	1997	1996	1995

U.S. Federal statutory rate	35.0%	35.0%	(35.0)%
Rate differential on reversing temporary differences	(.1)	(.4)	(8.9)
Amortization and writedown of intangible assets	1.1	.6	78.8
State and local income taxes, net of federal income tax benefit	2.4	1.5	13.5
Investment and research tax credits	(5.4)	(1.4)	(18.6)
Other differences	1.8	(.3)	(.5)

Effective rate	34.8%	35.0%	29.3%

The income tax-related regulatory assets and liabilities were eliminated as a result of the discontinuation of SFAS 71 in the fourth quarter of 1997. The discontinuation of SFAS 71 was primarily responsible for the significant decrease in the Company's deferred tax liability in 1997 (see Note 3).

The Company had U.S. capital loss carryforwards at both December 31, 1997 and 1996, of approximately \$62.0 million. Utilization of these capital losses is dependent upon the generation of future capital gains with the carryforwards expiring in 1999 and, accordingly, a valuation allowance has been established for the related deferred tax asset.

5. Retirement Plans

Pensions

The Company sponsors three noncontributory defined benefit pension plans: one for eligible management employees, one for nonmanagement employees and one supplementary, nonqualified, unfunded plan for certain senior managers. The pension benefit formula for the management plan is a cash balance plan where the pension benefits are determined by a combination of compensation based credits and annual guaranteed interest credits. The nonmanagement pension is also a cash balance plan with benefits that are determined by a combination of service and job classification based credits and annual interest credits. Benefits for the supplementary plan are based on years of service and eligible pay.

Funding of the management and nonmanagement plans is achieved through contributions made to an irrevocable trust fund. The contributions are determined using the aggregate cost method.

The Company uses the projected unit credit cost method for determining pension cost for financial reporting purposes and accounts for certain

benefits provided under early retirement packages discussed in Note 2 as a special termination benefit.

Pension cost includes the following components:

Millions of dollars	Year ended December 31	1997	1996	1995
Service cost (benefits earned during the period)		\$ 8.5	\$ 7.2	\$ 6.9
Interest cost on projected benefit obligation		37.6	35.3	48.9
Actual return on plan assets		(108.1)	(147.1)	(185.6)
Amortization and deferrals - net		64.3	112.6	131.5
Special termination benefits		--	--	58.8
Curtailement loss		--	--	4.9
Settlement gains		(21.0)	(27.4)	(5.9)
Pension cost (income)		\$ (18.7)	\$ (19.4)	\$ 59.5

The following table sets forth the plans' funded status:

Millions of dollars	Year ended December 31	1997	1996
Actuarial present value of accumulated benefit obligation including vested benefits of \$461.5 million and \$518.8 million, respectively		\$ 495.6	\$ 549.9
Plan assets at fair value (primarily listed stocks, bonds and real estate, including \$43.2 million and \$43.0 million, respectively, in common shares of the Company)		\$ 700.0	\$ 698.6
Actuarial present value of projected benefit obligation		(514.9)	(587.3)
Plan assets over projected benefit obligation		185.1	111.3
Unrecognized prior service cost		23.8	21.9
Unrecognized transition asset		(18.7)	(25.8)
Unrecognized net gain		(162.7)	(114.6)
Recognition of minimum liability		(6.8)	(6.7)
Prepaid (accrued) pension expense		\$ 20.7	\$ (13.9)

The Company used the following rates in determining the actuarial present value of the projected benefit obligation and pension cost for the three pension plans:

At December 31	1997	1996	1995
Discount rate - projected benefit obligation	7.00%	7.25%	7.00%
Future compensation growth rate	4.00%	4.00%	4.00%
Expected long-term rate of return on plan assets	8.25%	8.25%	8.25%

Savings Plans

The Company sponsors several defined contribution plans covering substantially all employees. The Company's contributions to the plans are based on matching a portion of the employee contributions or on a percentage of employee earnings or net income for the year. Total Company contributions to the defined contribution plans were \$9.2 million, \$9.4 million and \$10.9 million for 1997, 1996 and 1995, respectively.

6. Employee Postretirement Benefits Other Than Pensions

The Company provides health care and group life insurance benefits for its employees if they retire with a service pension.

The Company funds its group life insurance benefits through Retirement Funding Accounts (RFAs) and funds health care benefits using Voluntary Employee Benefit Association (VEBA) trusts. It is the Company's practice to fund amounts as deemed appropriate from time to time. Contributions are subject to IRS limitations developed using the aggregate cost method. The associated plan assets are primarily equity securities and fixed income investments.

The components of postretirement benefit cost are as follows:

Millions of dollars	Year ended December 31	1997	1996	1995
Service cost (benefits earned during the period)		\$ 2.1	\$ 1.8	\$ 1.6
Interest cost on accumulated postretirement benefit obligation		16.1	15.6	15.2
Actual return on plan assets		(7.4)	(5.7)	(4.7)
Amortization and deferrals - net		5.3	5.3	5.5
Curtailement loss		--	--	53.8
Postretirement benefit cost		\$16.1	\$17.0	\$71.4

The funded status of the plans is:

Millions of dollars	at December 31	1997	1996
Accumulated postretirement benefit obligation:			
Retirees and dependents		\$199.0	\$191.6
Fully eligible active participants		6.5	6.6
Other active participants		31.2	29.1
Plan assets at fair value		236.7	227.3
Accumulated postretirement benefit obligation in excess of plan assets		(116.8)	(95.1)
Unrecognized prior service cost		119.9	132.2
Unrecognized transition obligation		(3.1)	(3.3)
Unrecognized net gain		(77.3)	(82.4)
Accrued postretirement benefit cost		15.3	5.2
Accrued postretirement benefit cost		\$ 54.8	\$ 51.7

The transition obligation is being amortized over twenty years.

The accumulated postretirement benefit obligation and plan assets at December 31, 1997 and 1996, include \$2.1 million and \$1.5 million, respectively, for group life insurance benefits.

The Company used the following rates in determining the actuarial present value of the accumulated postretirement benefit obligation (APBO) and postretirement benefit costs:

At December 31	1997	1996	1995
Discount rate - APBO	7.00%	7.25%	7.00%
Expected long-term rate of return for VEBA assets	8.25%	8.25%	8.25%
Expected long-term rate of return for RFA assets	8.00%	8.00%	8.00%

The assumed health care cost trend rate used to measure the postretirement health benefit obligation at December 31, 1997, was 5.8% and is assumed to decrease gradually to 4.3% by the year 2005. A one percentage point increase in the assumed health care cost trend rate would have increased the aggregate of the service and interest cost components of the 1997 postretirement health benefits by approximately \$.9 million, and would increase the accumulated postretirement benefit obligation as of December 31, 1997, by approximately \$10.5 million.

7. Goodwill and Other Intangibles

Goodwill and other intangibles, net of accumulated amortization, consist of the following:

Millions of dollars	1997	1996
Balance -- beginning of year	\$205.1	\$172.3
Additions	9.8	45.0
Writedowns	(6.5)	--
Amortization	(13.1)	(11.8)
Other	(.3)	(.4)
Balance -- end of year	\$195.0	\$205.1
Accumulated amortization - end of year	\$106.3	\$ 98.4

Additions to goodwill and other intangibles were primarily the result of the purchase of a personal communications services license in 1997 and business acquisitions accounted for using the purchase method of accounting in 1996.

The 1997 restructuring plan for MATRXXX included significant changes to the operations of two divisions which had previously been acquired. As a consequence, the Company recognized a non-cash goodwill impairment loss of \$7.6 million as part of the 1997 MATRXXX restructuring charge of which \$6.5 million had been reflected as writedowns in goodwill at December 31, 1997.

8. Debt Maturing Within One Year and Lines of Credit

Debt maturing within one year consists of the following:

Millions of dollars	at December 31	1997	1996	1995
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Short-Term Debt:			
Commercial paper	\$110.1	\$ 30.0	\$ --
Bank notes	71.0	85.0	35.9
Current maturities of long-term debt	9.5	109.2	90.2

Total	\$190.6	\$224.2	\$126.1

Weighted average interest rates on short-term debt	5.7%	5.5%	5.9%

Average balances of short-term debt and related interest rates for the last three years are as follows:

Millions of dollars	1997	1996	1995

Average amounts of short-term debt outstanding during the year*	\$117.2	\$113.5	\$66.1
Weighted average interest rate during the year**	5.7%	5.6%	6.1%
Maximum amounts of short-term debt at any month-end during the year	\$182.5	\$140.0	\$71.1

* Amounts represent the average daily face amount of notes.

** Weighted average interest rates are computed by dividing the daily average face amount of notes into the aggregate related interest expense.

At December 31, 1997, the Company had approximately \$38 million of unused bank lines of credit, which are available to provide support for commercial paper borrowings. These lines of credit are available for general corporate purposes. There are no material compensating balances or commitment fee agreements under these credit arrangements.

9. Long-Term Debt

Long-term debt is as follows:

Millions of dollars	at December 31	1997	1996

Debentures/Notes			
Year of Maturity	Interest Rate %		
1997	6.700	\$ --	\$100.0
2002	4.375	20.0	20.0
2003	6.240	20.0	20.0
2005	6.330	20.0	20.0
2011	7.375	50.0	50.0
2023	7.250	50.0	50.0
2023	7.18-7.27	80.0	80.0
Capital leases and other		240.0	340.0
		38.7	48.7
		278.7	388.7
Current maturities		(9.5)	(109.2)
Total		\$269.2	\$279.5

10. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents and short-term debt -- the carrying amount approximates fair value because of the short-term maturity of these instruments.

Long-term debt -- the fair value is estimated based on year-end closing market prices of the Company's debt and of similar liabilities. The carrying amounts at December 31, 1997 and 1996, were approximately \$246.9 million and \$353.9 million, respectively. The estimated fair values at December 31, 1997 and 1996, were \$258.0 million and \$351.3 million, respectively.

Interest rate risk management -- the Company is exposed to the impact of interest rate changes. The Company's objective is to manage the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. The Company continuously monitors the percentage of variable to fixed interest rate debt to maximize its total return. As of December 31, 1997, approximately 60% of the Company's debt consists of long-term fixed-rate financial instruments and the remainder of the debt consists of commercial paper and bank loans with variable interest rates and original maturities of less than one year.

Foreign exchange risk management -- it is the Company's policy to enter into foreign currency transactions only to the extent considered necessary to meet its objectives. Generally, foreign currency instruments and forwards are valued relative to the period-ending spot rate. Gains and losses applicable to those instruments are recorded in income currently with the exception of amounts related to foreign currency instruments that have been designated as a hedge of a net investment in a foreign subsidiary. Hedge results of a net investment in a foreign subsidiary are excluded from income and recorded as adjustments to shareowners' equity until the related subsidiary is sold or liquidated. The interest elements of these foreign instruments are recognized in income ratably over the life of the contract. The interest rate differential to be paid or received on interest rate swap agreements and related foreign currency transaction gains and losses are accrued as interest rates change and are recognized as an adjustment of interest expense.

11. Common and Preferred Shares

Common Shares

On February 3, 1997, the Company's Board of Directors approved a two-for-one split of the Company's common shares payable to shareowners of record May 2, 1997. As a result of the split, 67.8 million additional shares were issued. On April 28, 1997, the Company's shareowners approved an amendment to the articles of incorporation to increase the authorized number of shares from 240 million to 480 million. These events did not affect the total dollar amount of common shareowners' equity. All references in the accompanying financial statements to the number of common shares and per share amounts have been retroactively restated to give effect to these changes.

Common Share Purchase Rights Plan

In the first quarter of 1997, the Company's Board of Directors adopted a Share Purchase Rights Plan by granting a dividend of one preferred share purchase right for each outstanding common share to shareowners of record at the close of business on May 2, 1997. Under certain conditions, each right entitles the holder to purchase one-hundredth of a Series A Preferred Share. The rights cannot be exercised or transferred apart from common shares, unless a person or group acquires 15% or more of the Company's outstanding common shares. The rights will expire May 2, 2007, if they have not been redeemed.

Preferred Shares

The Company is authorized to issue up to 4 million voting preferred shares and 1 million nonvoting preferred shares. At December 31, 1997 and 1996, there were no preferred shares outstanding.

12. Stock-Based Compensation Plans

The Company has two plans which allow for the granting of stock options and other stock-based awards to officers, directors and certain key employees. The options are granted at no less than market value of the stock at the grant date. Generally, stock options have a ten-year term and vest within three years of grant. There were no stock appreciation rights granted or outstanding during the three year period ended December 31, 1997.

The Company adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" in 1996 but applies Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its plans. If the Company had elected to recognize compensation cost for the plans based on the fair value at the grant dates for awards under those plans consistent with the method prescribed by SFAS No. 123, net income (loss) and earnings (loss) per share would have been changed to the pro forma amounts indicated below:

Millions of dollars except per share amounts	Year ended December 31	1997	1996
Net Income (loss)	As reported	\$ (16.4)	\$185.0
	Pro forma	\$ (21.5)	\$183.1
Diluted Earnings (loss) per share	As reported	\$ (.12)	\$ 1.35
	Pro forma	\$ (.16)	\$ 1.33

The pro forma effect on net income for 1997 and 1996 is not representative of the pro forma effect on net income in future years because it does not take into consideration pro forma compensation expense related to grants made prior to 1995.

The weighted average fair values at the date of grant for options granted during 1997, 1996 and 1995 were \$9.64, \$4.60 and \$1.79, respectively, and were estimated using the Black-Scholes option pricing model. The weighted average assumptions were as follows:

	1997	1996
Expected dividend yield	1.8%	3.5%
Expected volatility	29.9%	29.2%
Risk-free interest rate	6.2%	5.5%
Expected holding period -- years	4	4

Presented below is a summary of the status of the Company's stock options and the related transactions for the years ended December 31:

Shares in thousands	1997	1996	1995
	Weighted Average Exercise	Weighted Average Exercise	Weighted Average Exercise

	Shares	Price	Shares	Price	Shares	Price
Outstanding -- beginning of year	5,955		5,774		5,545	--
Granted	1,452	\$30.01	2,119	\$ 20.20	2,034	\$ 9.40
Exercised	(872)	\$10.08	(1,504)	\$ 9.45	(779)	\$ 9.31
Canceled	(134)	\$23.90	(434)	\$ 13.76	(1,026)	\$ 11.50
Outstanding -- end of year	6,401	\$17.16	5,955	\$ 13.14	5,774	\$ 9.63
Options exercisable at year end	3,606	\$10.82	3,355	\$ 9.89	3,833	\$ 9.67
Options available for future grant	9,928		8,162		8,612	

The following table summarizes the status of the Company's stock options outstanding and exercisable at December 31, 1997:

Shares in thousands	Options Outstanding			Options Exercisable	
	Shares	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Range of Exercise Prices					
\$ 6.00 to \$12.16	3,022	5.4	\$ 9.35	3,022	\$ 9.35
\$12.28 to \$24.06	1,419	7.8	\$16.73	475	\$16.47
\$24.19 to \$32.31	1,960	9.0	\$29.50	109	\$26.76
\$ 6.00 to \$32.31	6,401	7.0	\$17.16	3,606	\$10.82

Restricted stock awards during 1997, 1996 and 1995 were 126,000 shares, 100,000 shares and 458,000 shares, respectively. The weighted average market value of the shares on the grant date were \$29.48, \$20.21 and \$12.52, respectively. Restricted stock awards vest over time, generally one to five years.

13. Lease Commitments

The Company leases certain facilities and equipment used in its operations. Total rent expense was approximately \$103.2 million, \$82.9 million and \$69.3 million in 1997, 1996 and 1995, respectively.

At December 31, 1997, the total minimum rental commitments under noncancelable leases were as follows:

Millions of dollars	Operating Leases	Capital Leases
1998	\$ 86.3	\$ 5.1
1999	64.4	4.7
2000	43.9	4.6
2001	21.8	4.6
2002	14.1	4.6

Thereafter	55.5	45.6

Total	\$286.0	69.2
Amount representing interest		39.6
Present value of net minimum lease payments		\$29.6

14. Quarterly Financial Information (Unaudited)

All adjustments necessary for a fair statement of income for each period have been included.

Millions of dollars except per share amounts	1st	2nd	3rd	4th	Total

1997					
Revenues	\$429.5	\$433.1	\$433.2	\$ 461.0	\$1,756.8
Operating Income	\$ 93.5	\$ 87.6	\$ 81.8	\$ 50.2	\$ 313.1
Income Before					
Extraordinary Item	\$ 57.2	\$ 54.2	\$ 51.8	\$ 30.4	\$ 193.6
Extraordinary Item				\$(210.0)	\$(210.0)
Net Income (Loss)	\$ 57.2	\$ 54.2	\$ 51.8	\$(179.6)	\$ (16.4)
Basic Earnings (Loss)					
Per Share	\$.42	\$.40	\$.38	\$ (1.33)	\$ (.12)
Diluted Earnings (Loss)					
Per Share	\$.42	\$.39	\$.38	\$ (1.30)	\$ (.12)
1996					
Revenues	\$362.1	\$376.0	\$403.2	\$ 432.4	\$1,573.7
Operating Income	\$ 72.6	\$ 74.5	\$ 74.9	\$ 84.5	\$ 306.5
Net Income	\$ 41.7	\$ 44.8	\$ 46.9	\$ 51.6	\$ 185.0
Basic Earnings					
Per Share	\$.31	\$.33	\$.35	\$.38	\$ 1.38
Diluted Earnings					
Per Share	\$.31	\$.32	\$.34	\$.37	\$ 1.35

In the fourth quarter of 1997, CBT discontinued its use of SFAS 71 by recording an extraordinary charge which reduced net income \$210.0 million or \$1.52 per share. Also, in the fourth quarter, MATRIXIX recorded a charge for restructuring its operations. The restructuring charge reduced net income \$23.0 million or \$.17 per share.

In the first and second quarters of 1997, pension settlement gains from the 1995 business restructuring increased net income \$9.6 million or \$.07 per share and \$3.8 million or \$.03 per share, respectively.

In 1996, pension settlement gains from the 1995 business restructuring increased net income by \$3.5 million or nearly \$.03 per share for each of the first three quarters and by \$6.9 million or \$.05 per share in the fourth quarter. In addition to the settlement gains, a reversal of restructuring liabilities in the fourth quarter increased net income \$1.5 million or \$.01 per share. Also, in the fourth quarter, expensing of acquired research and development decreased net income by \$1.8 million or \$.01 per share.

In the third quarter of 1996, a reversal of accrued interest expense related to overearnings liabilities increased net income \$1.6 million or \$.01 per share. The increase was partially offset by the expensing of acquired in-process research and development costs. The expensing of these costs decreased in net income \$1.3 million or \$.01 per share.

15. Additional Financial Information

Income Statement

Millions of dollars	Year ended December 31	1997	1996	1995
Interest expense:				
Long-term debt		\$28.0	\$29.1	\$47.0
Short-term debt		6.7	6.3	4.1
Other		.8	(1.5)	1.7
Total		\$35.5	\$33.9	\$52.8

Balance Sheet

Millions of dollars	at December 31	1997	1996
Property, Plant and Equipment, net:			
Telephone plant		\$1,633.7	\$1,571.7
Accumulated depreciation		(1,083.1)	(716.5)
Net telephone plant		550.6	855.2
Other property and equipment		378.1	321.1
Accumulated depreciation		(225.5)	(190.5)
Total		\$ 703.2	\$ 985.8
Payables and other current liabilities:			
Accounts payable and accrued liabilities		\$ 197.6	\$ 176.2
Accrued taxes		51.5	37.9
Advance billing and customers' deposits		35.0	39.8
Other current liabilities		60.2	34.2
Total		\$ 344.3	\$ 288.1

Statement of Cash Flows

Millions of dollars	Year ended December 31	1997	1996	1995
Cash paid for:				
Interest (net of amount capitalized)		\$35.0	\$37.3	\$46.8
Income taxes (net of refunds)		\$96.2	\$86.9	\$61.6

16. Cincinnati Bell Telephone Company

The following summarized financial information is for the Company's consolidated wholly owned subsidiary, Cincinnati Bell Telephone Company:

Income Statement

Millions of dollars	Year ended December 31	1997	1996	1995
Revenues		\$ 670.1	\$650.8	\$624.4

Costs and expenses	\$ 523.3	\$495.1	\$630.4
Income (loss) before extraordinary item	\$ 85.2	\$ 92.6	\$ (11.3)
Net income (loss)	\$ (124.8)	\$ 92.6	\$ (11.3)

Balance Sheet

Millions of dollars	Year ended December 31	1997	1996
Current assets		\$142.5	\$ 135.6
Telephone plant - net		550.6	855.2
Other noncurrent assets		13.3	14.7
Total assets		\$706.4	\$1,005.5
Current liabilities		\$214.0	\$ 154.3
Noncurrent liabilities		33.8	179.1
Long-term debt		218.4	221.5
Shareowner's equity		240.2	450.6
Total liabilities and shareowner's equity		\$706.4	\$1,005.5

Results for 1997 include an extraordinary, non-cash charge of \$339.2 from the discontinuance of SFAS 71. The charge reduced net income \$210.0 million (see Note 3).

Results for 1997 and 1996 include \$21.0 million and \$28.5 million, respectively, for pension settlement gains from lump sum distributions to employees under the 1995 business restructuring. The settlement gains increased net income \$13.4 million and \$18.2 million, respectively.

Results for 1996 also include a reversal of \$2.5 million of accrued interest expense related to overearnings liabilities which increased net income by \$1.6 million.

Results for 1995 include \$121.7 million of special charges for restructuring of operations which reduced net income by \$77.5 million.

17. Business Segment Information

The Company's segment information is as follows:

Millions of dollars	Year ended December 31	1997	1996	1995
Revenues				
Communications Services		\$ 834.5	\$ 779.8	\$ 736.0
Information Systems		548.0	479.8	373.9
Teleservices		447.6	367.1	271.1
Intersegment		(73.3)	(53.0)	(44.9)
Total		\$1,756.8	\$1,573.7	\$1,336.1
Intersegment Revenues				
Communications Services		\$ 15.6	\$ 3.5	\$ 3.0
Information Systems		49.2	45.3	39.4
Teleservices		8.5	4.2	2.5
Total		\$ 73.3	\$ 53.0	\$ 44.9

Special Items				
Communications Services				
Restructuring	\$ (21.0)	\$ (28.5)	\$	121.7
Information Systems				
Acquired research and development	--	3.0		7.5
Teleservices				
Restructuring and goodwill impairment	35.0	--		39.6
Acquired research and development	--	2.0		--
Corporate				
Restructuring	--	(1.2)		9.9

Total	\$ 14.0	\$ (24.7)	\$	178.7

Operating Income (Loss) as Reported				
Communications Services	\$ 197.9	\$ 187.6	\$	22.7
Information Systems	104.7	75.5		38.5
Teleservices	9.4	43.7		(7.3)
Corporate and Eliminations	1.1	(.3)		(7.2)

Total	\$ 313.1	\$ 306.5	\$	46.7

Assets				
Communications Services	\$ 777.4	\$1,055.6	\$1,128.6	
Information Systems	283.6	270.2	268.2	
Teleservices	283.4	299.5	235.6	
Corporate and Eliminations	154.3	45.6	(40.7)	

Total	\$1,498.7	\$1,670.9	\$1,591.7	

Capital Additions (including acquisitions)				
Communications Services	\$ 157.7	\$ 106.2	\$	92.7
Information Systems	36.0	43.5		47.0
Teleservices	31.0	70.9		27.0
Corporate	11.4	.2		.1

Total	\$ 236.1	\$ 220.8	\$	166.8

Depreciation and Amortization				
Communications Services	\$ 123.9	\$ 120.6	\$	115.6
Information Systems	34.5	32.2		30.3
Teleservices	26.5	19.6		15.5
Corporate	.5	.4		.8

Total	\$ 185.4	\$ 172.8	\$	162.2

Certain corporate administrative expenses have been allocated to segments based upon the nature of the expense. Assets are those assets used in the operations of the segment.

Capital additions for 1997, 1996 and 1995 include \$11.5 million, \$55.9 million and \$46.4 million, respectively, from acquisitions.

Revenues from foreign sources and assets denominated in foreign currencies at December 31, 1997, were 6% and 5%, respectively, of consolidated totals.

18. Major Customer

Each of the Company's major subsidiaries derives significant revenues from AT&T and its affiliates by providing network services, customer marketing, customer care and billing, and teleservices. Revenues from AT&T were 23%, 25% and 26% of the Company's consolidated revenues for 1997, 1996 and 1995, respectively.

19. Contingencies

The Company's partner in a cellular partnership sued the Company in November 1996. After the Company was the successful bidder for a PCS license, the partnership's general partner amended its lawsuit to seek a declaratory judgment that the Company had withdrawn from the partnership. The Company believes that none of its actions conflicts with its partnership interest and that it continues to be a limited partner in good standing in the partnership. The Delaware Chancery Court has dismissed the suit and the plaintiff has appealed to the Supreme Court of Delaware. The carrying value of the Company's investment at December 31, 1997, was \$56.5 million. The rights to the future earnings of the partnership, the ability of the Company to realize the market value of its investment and the Company's ability to provide competitive PCS services would be uncertain if the suit were reinstated and decided in favor of the general partner.

The Company is from time to time subject to routine complaints incidental to the business. The Company believes that the results of any complaints and proceedings will not have a materially adverse effect on the Company's financial condition.

20. Recently Issued Accounting Standards

On October 27, 1997, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 97-2 "Software Revenue Recognition," which is effective for transactions entered into in fiscal years beginning after December 15, 1997. SOP 97-2 revises certain standards for the recognition of software revenue that will have to be adopted by CBIS with respect to certain software development and licensing agreements. The effect of SOP 97-2 on the operating results of the Company will be dependent on the nature and terms of individual software agreements entered into in 1998 and beyond.

21. Acquisitions

On January 8, 1998, MATRIXX acquired the teleservices assets of Maritz, Inc. for approximately \$30 million. The acquisition agreement contains provisions that could increase the purchase price by up to \$20 million. The transaction will be accounted for under the purchase method of accounting.

On February 3, 1998, the Company announced an agreement to acquire an 80% interest in a venture offering PCS in the Greater Cincinnati and Dayton markets. The Company's investment in the venture is expected to close upon the Federal Communications Commission's approval of the transfer of a PCS license from AT&T to the venture. Upon closing, the venture will pay AT&T an amount in the range of \$110 - \$125 million for the PCS assets including the transferred license. The venture has committed that upon closing, it will fund certain losses of the venture during the period February 3, 1998, through the closing date. Such losses will be recognized as incurred in the Company's consolidated financial statements.

On March 3, 1998, MATRIXX acquired AT&T Solutions Customer Care (Transtech) for approximately \$625 million. The acquisition will be accounted for under the purchase method of accounting. The acquisition was financed through the issuance of short-term debt.

22. Earnings Per Share

In 1997, the Company adopted SFAS 128, "Earnings Per Share." SFAS 128 calls for the dual presentation of basic and diluted earnings per share (EPS). Basic EPS is based upon the weighted average common shares outstanding during the period. Diluted EPS reflects the potential dilution that would occur if common stock equivalents were exercised. All prior year earnings per share amounts have been restated to reflect the adoption of SFAS 128. The following is a reconciliation of the numerators and denominators of the basic and diluted EPS computations for income before extraordinary items for the following periods:

Millions of Dollars	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Income before extraordinary items	\$193.6			\$185.0			\$(25.3)		
Basic EPS	\$193.6	135.2	\$1.43	\$185.0	133.9	\$1.38	\$(25.3)	132.0	\$(.19)
Effect of dilutive securities:									
Stock options		1.9			2.7			.9	
Stock based compensation arrangements		.6			.6			.6	
Diluted EPS	\$193.6	137.7	\$1.41	\$185.0	137.2	\$1.35	\$(25.3)	133.5	\$(.19)

Options to purchase 1,360,077 weighted average shares of common stock at an average price of \$30.19 per share were outstanding during the year ended December 31, 1997, but were not included in the computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares for the year.

Exhibit 21
to
Form 10-K for 1997

Subsidiaries of the Registrant
(as of March 27, 1998)

Subsidiary -----	State of Incorporation -----
Cincinnati Bell Telephone Company	Ohio
Cincinnati Bell Telecommunications Services Inc.	Ohio
Cincinnati Bell Network Solutions Inc.	Ohio
Cincinnati Bell Information Systems Inc.	Ohio
Cincinnati Bell Long Distance Inc.	Ohio
Cincinnati Bell Supply Company	Ohio
MATRIX Marketing Inc.	Ohio
Cincinnati Bell Directory Inc.	Ohio
Cincinnati Bell Cellular Systems Company	Ohio
Cincinnati Bell Finance Inc.	Delaware
Cincinnati Bell Wireless Company	Ohio

EXHIBIT 23
TO
FORM 10-K FOR 1997

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Cincinnati Bell Inc. on Form S-8 (File No. 33-39385), Form S-8 (File No. 33-29332), Form S-8 (File No. 33-60209), Form S-8 (File No. 33-1462), Form S-8 (File No. 33-1487), Form S-8 (File No. 33-15467), Form S-8 (File No. 33-23159), Form S-8 (File No. 33-29331), Form S-8 (File No. 33-36381), Form S-8 (File No. 33-36380), Form S-8 (File No. 33-39654), Form S-8 (File No. 33-43775), Form S-14 (File No. 2-82253), Form S-8 (File No. 333-28383), Form S-8 (File No. 333-38743), Form S-8 (File No. 333-28381), Form S-8 (File No. 333-38763), Form S-8 (File No. 333-38761) and Form S-8 (File No. 333-28385) of our report dated February 16, 1998 on our audits of the consolidated financial statements and financial statement schedules of Cincinnati Bell Inc. as of December 31, 1997 and 1996, and for each of the three years in the period ended December 31, 1997, which report is incorporated by reference in this Annual Report on Form 10-K.

/s/ Coopers & Lybrand L.L.P.

Cincinnati, Ohio
March 26, 1998

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, CINCINNATI BELL INC., an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the Rules and Regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1997; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints John T. LaMacchia, Brian C. Henry and William D. Baskett III, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 2nd day of March, 1998.

/s/ John F. Barrett

John F. Barrett
Director

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

On the 2nd day of March, 1998, personally appeared before me John F. Barrett, to me known and known to me to be the person described in and who executed the foregoing instrument, and he duly acknowledged to me that he executed and delivered the same for the purposes therein expressed.

Witness my hand and official seal this 2nd day of March, 1998.

/s/ Mary Janet Edwards

Notary Public

[STAMP]

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, CINCINNATI BELL INC., an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the Rules and Regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1997; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints John T. LaMacchia, Brian C. Henry and William D. Baskett III, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents

and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 2nd day of March, 1998.

/s/ Judith G. Boynton

Judith G. Boynton
Director

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

On the 2nd day of March, 1998, personally appeared before me Judith G. Boynton, to me known and known to me to be the person described in and who executed the foregoing instrument, and he duly acknowledged to me that he executed and delivered the same for the purposes therein expressed.

Witness my hand and official seal this 2nd day of March, 1998.

/s/ Mary Janet Edwards

Notary Public

[STAMP]

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, CINCINNATI BELL INC., an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the Rules and Regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1997; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints John T. LaMacchia, Brian C. Henry and William D. Baskett III, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 2nd day of March, 1998.

/s/ Phillip R. Cox

Phillip R. Cox
Director

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

On the 2nd day of March, 1998, personally appeared before me Phillip R. Cox, to me known and known to me to be the person described in and who executed the foregoing instrument, and he duly acknowledged to me that he executed and delivered the same for the purposes therein expressed.

Witness my hand and official seal this 2nd day of March, 1998.

/s/ Mary Janet Edwards

Notary Public

[STAMP]

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, CINCINNATI BELL INC., an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the Rules and Regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1997; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints John T. LaMacchia, Brian C. Henry and William D. Baskett III, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 2nd day of March, 1998.

/s/ William A. Friedlander

William A. Friedlander
Director

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

On the 2nd day of March, 1998, personally appeared before me William A. Friedlander, to me known and known to me to be the person described in and who executed the foregoing instrument, and he duly acknowledged to me that he executed and delivered the same for the purposes therein expressed.

Witness my hand and official seal this 2nd day of March, 1998.

/s/ Mary Janet Edwards

Notary Public

[STAMP]

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, CINCINNATI BELL INC., an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the Rules and Regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1997; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints John T. LaMacchia, Brian C. Henry and William D. Baskett III, and each of them

singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 2nd day of March, 1998.

/s/ Roger L. Howe

Roger L. Howe
Director

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

On the 2nd day of March, 1998, personally appeared before me Roger L. Howe, to me known and known to me to be the person described in and who executed the foregoing instrument, and he duly acknowledged to me that he executed and delivered the same for the purposes therein expressed.

Witness my hand and official seal this 2nd day of March, 1998.

/s/ Mary Janet Edwards

Notary Public

[STAMP]

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, CINCINNATI BELL INC., an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the Rules and Regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1997; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints John T. LaMacchia, Brian C. Henry and William D. Baskett III, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 2nd day of March, 1998.

/s/ Robert P. Hummel, M.D.

Robert P. Hummel, M.D.
Director

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

On the 2nd day of March, 1998, personally appeared before me Robert P. Hummel, M.D., to me known and known to me to be the person described in and who executed the foregoing instrument, and he duly acknowledged to me that he executed and delivered the same for the purposes therein expressed.

Witness my hand and official seal this 2nd day of March, 1998.

/s/ Mary Janet Edwards

Notary Public

[STAMP]

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, CINCINNATI BELL INC., an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the Rules and Regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1997; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints John T. LaMacchia, Brian C. Henry and William D. Baskett III, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 2nd day of March, 1998.

/s/ James D. Kiggen

James D. Kiggen
Director

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

On the 2nd day of March, 1998, personally appeared before me James D. Kiggen, to me known and known to me to be the person described in and who executed the foregoing instrument, and he duly acknowledged to me that he executed and delivered the same for the purposes therein expressed.

Witness my hand and official seal this 2nd day of March, 1998.

/s/ Mary Janet Edwards

Notary Public

[STAMP]

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, CINCINNATI BELL INC., an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the Rules and Regulations thereunder, an annual report

on Form 10-K for the year ended December 31, 1997; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints John T. LaMacchia, Brian C. Henry and William D. Baskett III, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 2nd day of March, 1998.

/s/ John T. LaMacchia

John T. LaMacchia
Director

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

On the 2nd day of March, 1998, personally appeared before me John T. LaMacchia, to me known and known to me to be the person described in and who executed the foregoing instrument, and he duly acknowledged to me that he executed and delivered the same for the purposes therein expressed.

Witness my hand and official seal this 2nd day of March, 1998.

/s/ Mary Janet Edwards

Notary Public

[STAMP]

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, CINCINNATI BELL INC., an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the Rules and Regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1997; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints John T. LaMacchia, Brian C. Henry and William D. Baskett III, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 2nd day of March, 1998.

/s/ Steven C. Mason

Steven C. Mason
Director

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

On the 2nd day of March, 1998, personally appeared before me Steven C. Mason, to me known and known to me to be the person described in and who executed the foregoing instrument, and he duly acknowledged to me that he executed and delivered the same for the purposes therein expressed.

Witness my hand and official seal this 2nd day of March, 1998.

/s/ Mary Janet Edwards

Notary Public

[STAMP]

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, CINCINNATI BELL INC., an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the Rules and Regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1997; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints John T. LaMacchia, Brian C. Henry and William D. Baskett III, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 2nd day of March, 1998.

/s/ Charles S. Mechem, Jr.

Charles S. Mechem, Jr.
Director

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

On the 2nd day of March, 1998, personally appeared before me Charles S. Mechem, Jr., to me known and known to me to be the person described in and who executed the foregoing instrument, and he duly acknowledged to me that he executed and delivered the same for the purposes therein expressed.

Witness my hand and official seal this 2nd day of March, 1998.

/s/ Mary Janet Edwards

Notary Public

[STAMP]

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, CINCINNATI BELL INC., an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the Rules and Regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1997; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints John T. LaMacchia, Brian C. Henry and William D. Baskett III, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 2nd day of March, 1998.

/s/ Mary D. Nelson

Mary D. Nelson
Director

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

On the 2nd day of March, 1998, personally appeared before me Mary D. Nelson, to me known and known to me to be the person described in and who executed the foregoing instrument, and he duly acknowledged to me that he executed and delivered the same for the purposes therein expressed.

Witness my hand and official seal this 2nd day of March, 1998.

/s/ Mary Janet Edwards

Notary Public

[STAMP]

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, CINCINNATI BELL INC., an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the Rules and Regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1997; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints John T. LaMacchia, Brian C. Henry and William D. Baskett III, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 2nd

day of March, 1998.

/s/ James F. Orr

James F. Orr
Director

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

On the 2nd day of March, 1998, personally appeared before me James F. Orr, to me known and known to me to be the person described in and who executed the foregoing instrument, and he duly acknowledged to me that he executed and delivered the same for the purposes therein expressed.

Witness my hand and official seal this 2nd day of March, 1998.

/s/ Mary Janet Edwards

Notary Public

[STAMP]

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, CINCINNATI BELL INC., an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the Rules and Regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1997; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints John T. LaMacchia, Brian C. Henry and William D. Baskett III, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 2nd day of March, 1998.

/s/ Brian H. Rowe

Brian H. Rowe
Director

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

On the 2nd day of March, 1998, personally appeared before me Brian H. Rowe, to me known and known to me to be the person described in and who executed the foregoing instrument, and he duly acknowledged to me that he executed and delivered the same for the purposes therein expressed.

Witness my hand and official seal this 2nd day of March, 1998.

/s/ Mary Janet Edwards

Notary Public

[STAMP]

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, CINCINNATI BELL INC., an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the Rules and Regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1997; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints John T. LaMacchia, Brian C. Henry and William D. Baskett III, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 2nd day of March, 1998.

/s/ David B. Sharrock

David B. Sharrock
Director

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

On the 2nd day of March, 1998, personally appeared before me David B. Sharrock, to me known and known to me to be the person described in and who executed the foregoing instrument, and he duly acknowledged to me that he executed and delivered the same for the purposes therein expressed.

Witness my hand and official seal this 2nd day of March, 1998.

/s/ Mary Janet Edwards

Notary Public

[STAMP]

<ARTICLE> 5

<PERIOD-TYPE>	YEAR	
<FISCAL-YEAR-END>	DEC-31-1997	
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<ARTICLE> 5
 <MULTIPLIER> 1,000

<PERIOD-TYPE> YEAR	YEAR	9-MOS	6-MOS	3-MOS
<FISCAL-YEAR-END> DEC-31-1995	DEC-31-1996	DEC-31-1996	DEC-31-1996	DEC-31-1996
<PERIOD-START> JAN-01-1995	JAN-01-1996	JAN-01-1996	JAN-01-1996	JAN-01-1996
<PERIOD-END> DEC-31-1995	DEC-31-1996	SEP-30-1996	JUN-30-1996	MAR-31-1996
<CASH> 2,900	2,000	8,700	10,000	28,300
<SECURITIES> 0	0	0	0	0
<RECEIVABLES> 281,400	326,700	315,000	294,800	279,700
<ALLOWANCES> 14,700	11,700	12,800	12,600	12,800
<INVENTORY> 10,500	17,300	15,800	10,600	11,600
<CURRENT-ASSETS> 341,400	390,600	388,500	367,000	360,700
<PP&E> 1,785,900	1,892,800	1,859,100	1,828,400	1,790,800
<DEPRECIATION> 792,000	907,000	885,400	858,600	823,500
<TOTAL-ASSETS> 1,591,700	1,670,900	1,631,300	1,592,400	1,583,500
<CURRENT-LIABILITIES> 453,300	512,300	411,800	391,100	418,800
<BONDS> 386,800	279,500	381,300	384,500	385,300
<PREFERRED-MANDATORY> 0	0	0	0	0
<PREFERRED> 0	0	0	0	0
<COMMON> 133,400	135,100	134,800	134,700	134,100
<OTHER-SE> 344,700	499,300	450,600	415,900	378,700
<TOTAL-LIABILITY-AND-EQUITY> 1,591,700	1,670,900	1,631,300	1,592,400	1,583,500
<SALES> 0	0	0	0	0
<TOTAL-REVENUES> 1,336,100	1,573,700	1,141,300	738,100	362,100
<CGS> 0	0	0	0	0
<TOTAL-COSTS> 0	1,267,200	606,000	389,700	187,900
<OTHER-EXPENSES> 1,289,400	0	313,300	201,300	101,600
<LOSS-PROVISION> 8,500	9,000	5,700	3,300	2,500
<INTEREST-EXPENSE> 52,800	33,900	25,100	18,000	9,600
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<INCOME-TAX> 5,700	99,700	72,900	47,100	22,800
<INCOME-CONTINUING> (25,300)	185,000	133,400	86,500	41,700
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<NET-INCOME> (32,300)	185,000	133,400	86,500	41,700
<EPS-PRIMARY> (.24)	1.38	.99	.65	.31
<EPS-DILUTED> (.24)	1.35	.97	.63	.31

<ARTICLE> 5
 <MULTIPLIER> 1,000

<PERIOD-TYPE>	9-MOS	6-MOS	3-MOS
<FISCAL-YEAR-END>	DEC-31-1997	DEC-31-1997	DEC-31-1997
<PERIOD-START>	JAN-01-1997	JAN-01-1997	JAN-01-1997
<PERIOD-END>	SEP-30-1997	JUN-30-1997	MAR-31-1997
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<BONDS>	269,900	274,300	277,000
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<OTHER-SE>	634,800	595,500	551,400
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<SALES>	0	0	0
<TOTAL-REVENUES>	1,295,800	862,600	429,500
<CGS>	0	0	0
<TOTAL-COSTS>	1,032,900	681,500	336,000
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<INTEREST-EXPENSE>	26,800	17,700	8,600
<INCOME-PRETAX>	250,400	171,700	88,300
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