

CINCINNATI BELL INC  
Form PRE 14A  
March 07, 2008

## **SCHEDULE 14A**

### **(RULE 14a-101)**

#### **INFORMATION REQUIRED IN PROXY STATEMENT**

#### **SCHEDULE 14A INFORMATION**

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

#### **EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

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

**Cincinnati Bell Inc.**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:

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

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD APRIL 25, 2008**

To Our Shareholders:

The 2008 Annual Meeting of Shareholders of Cincinnati Bell Inc. (the Company) will be held on Friday, April 25, 2008, at 11:00 a.m., Eastern Daylight Savings Time, at the Queen City Club, 331 East Fourth Street, Cincinnati, Ohio, for the following purposes:

1. To elect three Class III directors to serve three-year terms ending in 2011 and to elect one Class I director to serve the remainder of a term ending in 2009;
2. To approve an amendment to the Company's Restated Amended Articles of Incorporation to declassify the Board of Directors and to approve an amendment to the Company's Amended Regulations to require the annual election of directors;
3. To approve an amendment to the Company's Restated Amended Articles of Incorporation to require a majority vote for the election of a director and to approve an amendment to the Company's Amended Regulations addressing holdover directors;
4. To ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm to audit the financial statements of the Company for the year 2008; and
5. To consider any other matters that may properly come before the meeting.

The Board of Directors has established the close of business on February 27, 2008 as the record date (the Record Date) for determining the shareholders entitled to notice of, and to vote at, the Annual Meeting or any adjournment or postponement of the Annual Meeting. Only shareholders of record at the close of business on the Record Date are entitled to vote on matters to be presented at the Annual Meeting.

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

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

By Order of the Board of Directors

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Christopher J. Wilson  
General Counsel and Secretary

March 18, 2008

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**CINCINNATI BELL INC.**

221 East Fourth Street

Cincinnati, Ohio 45202

**PROXY STATEMENT**

For the Annual Meeting of Shareholders

to be held on Friday, April 25, 2008

This Proxy Statement is furnished to the shareholders of Cincinnati Bell Inc., an Ohio corporation (the "Company"), in connection with the solicitation of proxies by the Board of Directors for use at the 2008 Annual Meeting of Shareholders. The Annual Meeting will be held on Friday, April 25, 2008, at 11:00 a.m., Eastern Daylight Savings Time, at the Queen City Club, 331 East Fourth Street, Cincinnati, Ohio. The Notice of Annual Meeting of Shareholders, the Proxy Statement, the Company's Annual Report on Form 10-K for the year ended December 31, 2007 and the Company's Summary 2007 Annual Report are first being furnished to the shareholders on or about March 21, 2008.

The Company's Board of Directors has established the close of business on February 27, 2008 as the record date (the "Record Date") for determining shareholders entitled to vote at the Annual Meeting or any adjournment or postponement of the Annual Meeting. Only shareholders of record at the close of business on the Record Date will be entitled to vote on matters to be presented at the Annual Meeting.

The agenda for the Annual Meeting is as follows:

1. To elect three Class III directors to serve three-year terms ending in 2011 and to elect one Class I director to serve the remainder of a term ending in 2009;
2. To approve an amendment to the Company's Restated Amended Articles of Incorporation to declassify the Board of Directors and to approve an amendment to the Company's Amended Regulations to require the annual election of directors;
3. To approve an amendment to the Company's Restated Amended Articles of Incorporation to require a majority vote for the election of a director and to approve an amendment to the Company's Amended Regulations addressing "holdover" directors;
4. To ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm to audit the financial statements of the Company for the year 2008; and
5. To consider any other matters that may properly come before the meeting.

**PLEASE VOTE YOUR VOTE IS IMPORTANT**

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

#### **QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING**

**Q: Why am I receiving these proxy materials?**

A: The Company's Board of Directors (the Board) is providing these proxy materials to you in connection with the Annual Meeting of Shareholders, which will take place on April 25, 2008. As a shareholder, you are invited to attend the meeting and are entitled to vote on the proposals described in this Proxy Statement.

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

A: This combined Proxy Statement and Annual Report on Form 10-K for the year ended December 31, 2007, which includes our 2007 consolidated financial statements, and Summary 2007 Annual Report includes information relating to the proposals to be voted on at the meeting, the voting process, the compensation of directors and certain officers, and certain other information required by the rules and regulations of the Securities and Exchange Commission (the SEC) and the rules and listing standards of the New York Stock Exchange (the NYSE). Although you are encouraged to vote either by the Internet or by telephone, these materials also include a proxy card or voting instruction card for your use in voting at the Annual Meeting.

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

A: There are currently four proposals scheduled to be voted on at the meeting:

1. The election of three Class III directors to serve three-year terms ending in 2011 and to elect one Class I director to serve the remainder of a term ending in 2009;
2. The approval of an amendment to the Company's Restated Amended Articles of Incorporation (the Amended Articles of Incorporation) to declassify the Board of Directors and to approve an amendment to the Company's Amended Regulations to require the annual election of directors;
3. The approval of an amendment to the Company's Amended Articles of Incorporation to require a majority vote for the election of a director and to approve an amendment to the Company's Amended Regulations addressing holdover directors; and
4. The ratification of the appointment of Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, Deloitte & Touche LLP) as the independent registered public accounting firm (Independent Accountants) to audit the financial statements of the Company for the year 2008.

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

A: The Board recommends that you vote your shares

FOR each of the nominees to the Board;



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FOR the approval of an amendment to the Company's Amended Articles of Incorporation to declassify the Board of Directors and to approve an amendment to the Company's Amended Regulations to require the annual election of directors;

FOR the approval of an amendment to the Company's Amended Articles of Incorporation to require a majority vote for the election of a director and to approve an amendment to the Company's Amended Regulations addressing holdover directors; and

FOR the ratification of the appointment of Deloitte & Touche LLP as Independent Accountants to audit the financial statements of the Company for the year 2008.

**Q: Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials this year along with a full set of proxy materials?**

A: Pursuant to new rules adopted by the SEC, the Company has elected to provide access to our proxy materials over the Internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials (the eProxy Notice ) to our shareholders of record and beneficial owners. All shareholders will have the ability to access the proxy materials on the website referred to in the eProxy Notice. Since this is the first year in which the Company is sending an eProxy Notice, the Company decided to send you a printed set of proxy materials along with the eProxy Notice. In the future, you will have to request to receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request an additional printed copy are contained on the eProxy Notice. In addition, you may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis.

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

A. The eProxy Notice will provide you with instructions regarding how to (i) view our proxy materials for the Annual Meeting on the Internet, and (ii) instruct the Company to send our future proxy materials to you electronically by email. If you choose to receive your future proxy materials by email, you will save the Company the cost of printing and mailing documents to you. If you choose to receive the proxy materials by email, you will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by email will remain in effect until you terminate it.

**Q: What shares can I vote?**

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

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

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

***Shareholder of Record***

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

***Beneficial Owner***

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

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

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

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

A: Whether you hold shares directly as the shareholder of record or beneficially in street name or credited to your account under a Company employee or director plan, you may vote your proxy over the Internet without attending the meeting. You can also vote your proxy by mail or telephone following the instructions provided in the eProxy Notice. The methods for voting without attending the meeting are:

**By Internet** If you have Internet access, you may submit your vote from any location by following the instructions provided in the eProxy Notice.

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

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

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

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

***Shareholder of Record***

If you are a shareholder of record and (i) you indicate when voting on the Internet or by telephone that you wish to vote as recommended by the Board, or (ii) you sign and return a proxy without giving specific voting instructions, then the proxy holders will vote your shares in the manner recommended by our Board on all matters presented in this proxy statement and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the Annual Meeting.

***Beneficial Owner***

If you are deemed to be a beneficial owner of shares held in street name or credited to your account in a Company benefit plan and do not provide the organization that holds your shares with specific voting instructions, under the rules of the securities exchanges trading the Company's common shares, the organization that holds such shares may generally vote on *routine* matters but cannot vote on *non-routine* matters. If the organization that holds such shares does not receive instructions from you on how to vote such shares on a non-routine matter, the organization that holds such shares will inform the Inspector of Elections that it does not have authority to vote on such matter with respect to such shares. This is generally referred to as a broker non-vote. When our Inspector of Elections tabulates the votes for any particular matter, broker non-votes will be counted for purposes of determining whether a quorum is present but will not otherwise be counted. The Company encourages you to provide voting instructions to the organization that holds such shares by carefully following the instructions provided in the eProxy Notice.

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

A: While the NYSE will ultimately advise as to which matters are routine and non-routine, the Company believes that (i) Proposal 1 (election of directors) and Proposal 4 (ratification of Independent Accountants) involve matters that will be considered routine and (ii) Proposal 2 (proposal regarding the annual election of directors and to declassify the Board ) and Proposal 3 (proposal to require majority vote for election of directors) involve matters that will be considered non-routine.



**Q: How are abstentions treated?**

A: Abstentions are counted for purposes of determining whether a quorum is present. For the purpose of determining whether shareholders have approved Proposal 2 (proposal regarding the annual election of directors and to declassify the Board ) or Proposal 3 (proposal to require majority vote for election of directors), abstentions will have a negative effect on the outcome of such proposals. For the purpose of determining whether shareholders have approved Proposal 1 (election of directors) or Proposal 4 (ratification of Independent Accountants), abstentions are not treated as votes cast affirmatively or negatively, and therefore have no effect on the outcome of such proposals.

**Q: Can I change my vote?**

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

**Q: What does it mean if I receive more than one eProxy Notice?**

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

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

A: We will announce preliminary voting results at the meeting and publish final results in the Company's Quarterly Report on Form 10-Q for the first quarter of fiscal year 2008.

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

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

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

A: Each common share and each 6<sup>3</sup>/<sub>4</sub>% Cumulative Convertible Preferred Share outstanding as of the close of business on the Record Date is entitled to vote on all items being voted upon at the Annual Meeting. You are entitled to one vote for each common share and one vote for each 6<sup>3</sup>/<sub>4</sub>% Cumulative Convertible Preferred Share you own of record on the Record Date or to provide instructions on how to vote such shares in which you have a beneficial interest. The 6<sup>3</sup>/<sub>4</sub>% Cumulative Convertible Preferred Shares will vote with the common shares as one class on each of the proposals described in this Proxy Statement. There are no cumulative voting rights for either class of shares. On the Record Date, we had 248,418,569 common shares and 155,250 6<sup>3</sup>/<sub>4</sub>% Cumulative Convertible Preferred Shares issued and outstanding.

**Q: What is the quorum requirement for the meeting?**

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

Both abstentions and broker non-votes are counted as present for the purpose of determining the presence of a quorum.

**Q: Who will count the votes?**

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

**Q: Is my vote confidential?**

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

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

A: The Company is making this solicitation and will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials. If you choose to access the proxy materials and/or vote via the Internet, you are responsible for any Internet access charges you may incur. In addition to the costs of mailing of the eProxy Notice and these proxy materials, the Company may incur costs to provide additional copies of these proxy materials (if requested) and for its directors, officers and employees to solicit proxies or votes in person, by telephone or by electronic communication. Our directors, officers and employees will not receive any additional compensation for such activities. We have hired Georgeson Inc. to assist us in the distribution of proxy materials and the solicitation of votes. We will pay Georgeson Inc. a fee of \$10,000 plus expenses for these services. We have also hired Broadridge to assist us in distributing the eProxy Notice, facilitating the voting of proxies over the Internet and serving as the Inspector of Elections. We will pay Broadridge a fee of approximately \$12,000 plus expenses for these services. We will also reimburse brokerage houses and other nominees for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to shareholders.

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

A: Our directors and executive officers owned approximately 3.3% of our voting shares as of the Record Date.

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

A: As of the Record Date or earlier date, if indicated, each of the following entities (together with their affiliates) indicated that it held more than 5% of the issued and outstanding common shares of the Company: Barclays Global Investors, N.A., FMR LLC, GAMCO Investors, Inc. and Wells Fargo & Company. See page 30 for more details on number of shares owned and percentage ownership as of the Record Date or an earlier date, if indicated.

**Q: What is householding?**

A: Householding is a process that allows the Company to reduce costs and increase efficiencies by mailing only one copy of Company communications to multiple shareholders who reside at the same household mailing address. If you and other shareholders at the same household mailing address are currently receiving only one copy of Company communications at your mailing address but would like to receive separate copies, please see the instructions on page 65. If you and other shareholders at the same mailing address are currently receiving multiple copies of Company communications but would like to participate in our householding program, please see the instructions on page 65.

## **BOARD STRUCTURE AND CORPORATE GOVERNANCE**

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

### **General Information and Corporate Governance**

The Company's Amended Regulations provide that the Board shall consist of not less than nine nor more than 17 persons, with the exact number to be fixed and determined by resolution of the Board or by resolution of the shareholders at any annual or special meeting of shareholders. The Board has determined that the Board shall consist of 10 members. With the resignation of Carl Redfield in November 2006 and the resignation of David B. Sharrock in October 2007, the Board currently has eight members and two vacancies. Mr. Redfield's and Mr. Sharrock's positions as directors will remain vacant as the Company conducts its search to fill their vacancies. The Board continues to seek and consider candidates to fill these vacancies. Any vacancy may be filled by the Board in accordance with law and the Company's Amended Regulations for the remainder of the term of the vacant directorship. The Board may fill those vacancies at any time.

As a result of the vacancies on the Board created by the resignations of Messrs. Redfield and Sharrock, the classes of directors were no longer balanced. Since the Company's Restated Amended Articles of Incorporation contemplate classes of directors of approximately equal size, the Governance and Nominating Committee and the Board of Directors decided on October 31, 2007 to change Bruce L. Byrnes from a Class III director to a Class I director, without extending his term. As a result of this reclassification, the three classes of directors now contain two (Class I), three (Class II) and three (Class III) members, and, therefore, are of approximately equal size.

Our Board currently has the following four committees: (i) the Audit and Finance Committee, (ii) the Compensation Committee, (iii) the Governance and Nominating Committee and (iv) the Executive Committee. The members and function of each committee are described below. During fiscal year 2007, the Board held 11 meetings, and no director attended less than 75% of all Board and applicable committee meetings during the period in which he or she served as a director.

Under the Company's Corporate Governance Guidelines, directors are expected to attend the Annual Meeting of Shareholders. All of the directors attended the 2007 Annual Meeting of Shareholders.

For information on how to obtain a copy of the Company's Corporate Governance Guidelines, please see page 65.

### **Evaluation of Director Independence**

In accordance with the rules and listing standards of the NYSE and the Company's Corporate Governance Guidelines (see page 65 for information on how to obtain a copy), the Board affirmatively evaluates and determines the independence of each director and each nominee for election. Based on an analysis of information supplied by the directors, the Board evaluated whether any director has any material relationship with the Company, either directly, or as a partner, shareholder or officer of an organization that has a relationship with the Company that might cause a conflict of interest in the performance of a director's duties.

In particular, the Board considered the fact that the Company has been a party to transactions in the ordinary course of business with The Procter & Gamble Company. A member of the Board in 2007, Mr. Bruce L. Byrnes, served in an executive capacity at The Procter & Gamble Company. The Board believes that these transactions were entered into in the ordinary course of business under competitive marketplace conditions and on terms that were reasonable and in the best interests of the Company. The Board further believes that the transactions accounted for less than 2% of the annual gross revenues of The Procter & Gamble Company. The Board has determined that Mr. Byrnes did not receive any direct or indirect material benefit from such transactions.



Based on these standards, the Board determined that each of the following persons who served as a non-employee director in 2007 is independent and either has no relationship or only an immaterial relationship (e.g., Mr. Byrnes) with the Company, except as a director and stockholder:

|                 |                   |                   |
|-----------------|-------------------|-------------------|
| Bruce L. Byrnes | Phillip R. Cox    | Robert W. Mahoney |
| Daniel J. Meyer | Michael G. Morris | David B. Sharrock |
| Alex Shumate    | John M. Zrno      |                   |

In addition, based on these standards, the Board determined that John F. Cassidy is not independent because he is the President and Chief Executive Officer of the Company.

#### Executive Sessions of Non-Management Directors

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

#### Committees of the Board

The following table sets forth the membership of the committees of the Board for 2007:

| Name of Director                  | Audit and Finance | Compensation | Governance and Nominating | Executive |
|-----------------------------------|-------------------|--------------|---------------------------|-----------|
| <b>Non-Employee Directors (a)</b> |                   |              |                           |           |
| Bruce L. Byrnes                   |                   | *            | *(Chair)                  | *         |
| Phillip R. Cox                    | *                 | *            | *                         | *(Chair)  |
| Robert W. Mahoney                 | *                 |              | *                         |           |
| Daniel J. Meyer                   | *(Chair)          | *            |                           | *         |
| Michael G. Morris                 | *                 | *(Chair)     |                           | *         |
| Alex Shumate                      |                   |              | *                         |           |
| John M. Zrno                      | *                 |              | *                         |           |
| <b>Employee Director</b>          |                   |              |                           |           |
| John F. Cassidy                   |                   |              |                           | *         |
| <b>Former Director (b)</b>        |                   |              |                           |           |
| David B. Sharrock                 |                   | *            |                           |           |

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

(b) Mr. Sharrock served on the designated committee until his resignation on October 9, 2007.

**Audit and Finance Committee:** The Audit and Finance Committee consists of five persons, none of whom is an executive officer of the Company. The Audit and Finance Committee held nine meetings during 2007. The purpose of the Audit and Finance Committee is, among other things, to assist the Board of Directors in its oversight of (i) the integrity of the financial statements of the Company, (ii) the Company's compliance with legal and regulatory requirements, (iii) the independence and qualifications of the Independent Accountants, and (iv) the performance of the Company's internal audit function and Independent Accountants. To this end, the Audit and Finance Committee meets in executive session with its own members and may also meet separately with the Independent Accountants, the Company's internal auditors, General Counsel or members of management. The Audit and Finance Committee Charter provides a more detailed description of the responsibilities and duties of the Audit and Finance Committee. For information on how to obtain a copy of the Audit and Finance Committee Charter, please see page 65.

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



The Board determined that each member of the Audit and Finance Committee satisfies the independence requirements of the rules and regulations of the SEC and the independence and other requirements of the rules and listing standards of the NYSE. No member of the Audit and Finance Committee serves on the audit committees of more than three public companies. In addition, the Board determined that Daniel J. Meyer, Robert W. Mahoney and John M. Zrno are audit committee financial experts as defined in the regulations of the SEC and that each member of the Audit and Finance Committee is financially literate as defined by the rules and listing standards of the NYSE.

*Compensation Committee:* The Compensation Committee currently consists of four persons, none of whom is an executive officer. Prior to his resignation in October 2007, Mr. Sharrock also served on this committee. The Compensation Committee held five meetings during 2007. The Compensation Committee is responsible for, among other things, ensuring that directors and certain key executives are effectively and competitively compensated in terms of base compensation and short- and long-term incentive compensation and benefits. In addition, the Compensation Committee evaluates the performance of the Chief Executive Officer and reviews with management the succession planning process for key executive positions. The Compensation Committee Charter provides a more detailed description of the responsibilities and duties of the Compensation Committee. For information on how to obtain a copy of the Compensation Committee Charter, please see page 65.

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

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

*Governance and Nominating Committee:* The Governance and Nominating Committee currently consists of five persons, none of whom is an executive officer. The Governance and Nominating Committee held six meetings during 2007. The Governance and Nominating Committee, among other things, identifies individuals to become members of the Board, periodically reviews the size and composition of the Board, evaluates performance of Board members, makes recommendations regarding the determination of a director's independence, recommends committee appointments and chairpersons to the Board, periodically reviews and recommends to the Board updates to the Company's Corporate Governance Guidelines and related Company policies and oversees an annual evaluation of the Board and its committees. The Governance and Nominating Committee Charter provides a more detailed description of the responsibilities and duties of the Governance and Nominating Committee. For information on how to obtain a copy of the Governance and Nominating Committee Charter, please see page 65.

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

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

*Executive Committee:* The Executive Committee consists of five persons, one of whom is the President and Chief Executive Officer of the Company. The Committee held two meetings during 2007. The Executive Committee acts on behalf of the Board in certain matters, when necessary, between Board meetings.

#### **Director Nominations**

The Governance and Nominating Committee will consider director candidates recommended by shareholders. The Governance and Nominating Committee did not receive, and therefore did not consider, any recommendations for director candidates for the 2008 Annual Meeting by any qualified shareholder.

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

The selection criteria for board members includes the following:

established leadership reputation in his or her field;

recognition for good business judgment;

active in business;

knowledge of business on a national/global basis;

high ethical standards;

familiarity with the field of telecommunications services;

commitment to board/committee meeting attendance; and

contribution to gender, racial and/or geographical diversity of Board.

## DIRECTOR COMPENSATION

### Director Compensation Arrangements

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

### *Compensation for Employee Directors*

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

### *General Compensation Policy for Non-Employee Directors*

Directors who are not employees of the Company or any subsidiary of the Company ( non-employee directors ) receive an annual retainer (\$30,000 in 2007 and increased to \$50,000 for 2008) plus \$2,000 for each Board and committee meeting attended. This increase in the annual retainer is intended to make the board's total compensation package more comparable to other publicly traded companies, thereby helping the board to attract and retain qualified directors. The chairperson of the Audit and Finance Committee receives a \$17,500 annual retainer, the chairperson of the Compensation Committee receives a \$10,000 annual retainer and the chairperson of the Governance and Nominating Committee receives a \$8,500 annual retainer. The members of the Audit and Finance Committee receive a \$5,000 annual retainer and members of each of the Compensation Committee and the Governance and Nominating Committee receive a \$2,500 annual retainer. In addition to the applicable retainers and meeting fees described above, Mr. Cox, Chairman of the Board, also receives an additional director fee determined by the Board annually (\$180,000 for 2007 and \$180,000 for 2008) for his service as Chairman.

### *Non-Employee Directors Deferred Compensation Plan*

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

In addition, each non-employee director of the Company on the first business day of the year, both in each of 2007 and 2008, had his or her account under the Directors Deferred Compensation Plan credited on such date with an amount equal to the value of 6,000 common shares of the Company. Subject to future changes in the plan, each non-employee director of the Company may, in the discretion of the Board, also have his or her account under the plan credited on any other date with an amount equal to the value of a number of Company common shares determined by the Board. The Board will exercise its discretion in crediting amounts to the plan accounts of the non-employee directors with the intent that such credits, together with other compensation that either is paid in the form of Company common shares or has its value determined in relation to the value of common shares (such grants and such other compensation referred to as Company equity-based compensation ), provide Company equity-based compensation for the Company's non-employee directors that each year is approximately equal to the median level of the value of equity-based compensation provided by a group of comparable peer group companies to such other companies' non-employee directors. A non-employee director's account under the plan is also adjusted by the investment returns that would result if such amounts were assumed to be invested exclusively in common shares of the Company. A non-employee director will generally be vested in the amounts credited to his or her account under the plan only if he or she completes at least five years of active service as a non-employee director of the Company (with a fraction of a year of service as a non-employee director being rounded up or down to the nearest whole year) or if he or she dies while a member of the Board.

A non-employee director of the Company who served as a non-employee director prior to the last fiscal year may also have had additional amounts credited to his or her account under the Directors Deferred Compensation Plan based on his or her deferral of director fees and annual retainers for earlier years or on other extra amounts that were credited by the Company to his or her account under the plan prior to such year. The portion of a non-employee director's account under the plan that is attributable to such earlier credited amounts is also adjusted by the investment returns that would result if such amounts were assumed to be invested in investment options that he or she chooses, in common shares or in other investments, depending on the particular credits that are involved.

Other than for certain circumstances described below and subject to future changes in the Directors Deferred Compensation Plan, a non-employee director of the Company can, if he or she complies with specific election rules and procedures set forth in or adopted under the plan and with the requirements of applicable law (including the American Jobs Creation Act of 2004, which generally applies to any compensation of a non-employee director that is credited to his or her account under the plan in 2005 or any later year), elect that the vested amounts credited to his or her account under the Directors Deferred Compensation Plan will not be received by him or her (and thereby generally will not be subject to federal income tax) until after he or she has ceased to be a member of the Board or until a specific year he or she chooses that is not earlier than the year in which the sixth anniversary of his or her deferral election occurs. When the vested amounts are to be paid, he or she generally may elect to have the amounts distributed in a lump sum or in up to ten annual installments.

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

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

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

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

The Directors Deferred Compensation Plan must comply with the requirements of the American Jobs Creation Act of 2004 in order to retain its ability to defer federal income tax on certain amounts credited to a non-employee director's account under the plan. The Company has amended the plan to meet the requirements of the American Jobs creation Act of 2004, and will make further amendments as necessary to comply with the regulations adopted by the IRS to implement the Act.

### Non-Employee Directors Stock Option Plans

The Company grants its non-employee directors stock options to purchase common shares and/or time-based restricted shares under the Cincinnati Bell Inc. 2007 Stock Option Plan for Non-Employee Directors (the 2007 Directors Stock Option Plan ). Pursuant to the current terms of such plan, each non-employee director of the Company, at the discretion of the Board, may be granted:

a stock option for a number of common shares and/or a number of restricted common shares (as determined by the Board) on the first day of his or her initial term of office as a non-employee director of the Company; and

a stock option for a number of common shares and/or a number of restricted common shares (as determined by the Board) on the date of each annual meeting, if such director first became a non-employee director of the Company before the date of such annual meeting and continues in office as a non-employee director after such meeting.

On the date of the 2007 Annual Meeting, each non-employee director in office immediately prior to such annual meeting and continuing in office thereafter received a stock option grant for 9,000 common shares. Effective in 2008, the Board eliminated both the grant of the stock option for a non-employee director's initial term and the annual stock option grant to incumbent directors after each annual meeting. Instead, the Board has decided to grant restricted common shares with an aggregate value of \$35,000 on the date of grant to each incumbent, non-employee director at each annual meeting of shareholders, beginning with the 2008 Annual Meeting of Shareholders. These restricted shares awards will not vest until the third anniversary of the grant date and payment of such grants will be deferred until such non-employee director ceases to be a director of the Company.

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

A non-employee director of the Company who served as a non-employee director prior to April 28, 2007 may also have had additional stock options granted to him or her before such date under the Cincinnati Bell Inc. 1997 Stock Option Plan for Non-Employee Directors (the 1997 Directors Stock Option Plan ). The 1997 Directors Stock Option Plan expired and no awards were granted under the plan after April 28, 2007.

Each stock option granted to a non-employee director under the 1997 and 2007 Directors Stock Option Plans requires that, upon the exercise of the option, the price to be paid for the common shares that are being purchased under the option will be equal to 100% of the fair market value of such shares as determined at the time the option is granted.

With certain exceptions provided in each of the 1997 and 2007 Directors Stock Option Plans, a non-employee director of the Company who is granted an option under the plan generally will have ten years from the date of the grant of the option to elect to exercise the option.

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

**Actual Director Compensation in 2007 Fiscal Year**

The following table shows the compensation paid to our non-employee directors for the 2007 fiscal year.

**Director Compensation for Fiscal 2007**

| Name                         | Fees Earned or Paid in Cash (\$) (a) | Stock Awards (\$) (b)(d) | Option Awards (\$) (c)(d) | Total (\$) |
|------------------------------|--------------------------------------|--------------------------|---------------------------|------------|
| Bruce L. Byrnes              | 88,250                               | 39,738                   | 16,129                    | 144,117    |
| Philip R. Cox                | 288,000                              | 32,408                   | 16,129                    | 336,537    |
| Robert W. Mahoney            | 83,500                               | 24,707                   | 16,129                    | 124,336    |
| Daniel J. Meyer              | 105,375                              | 32,010                   | 16,129                    | 153,514    |
| Michael G. Morris            | 87,875                               | 34,453                   | 16,129                    | 138,457    |
| Alex Shumate                 | 67,500                               | 16,712                   | 16,129                    | 100,341    |
| John M. Zrno                 |                                      | 32,010                   | 95,239                    | 127,249    |
| David B. Sharrock (Resigned) | 40,375                               | 26,034                   | 16,129                    | 82,538     |

- (a) Board fees included deferred compensation during 2007 for those directors who deferred some or all of their cash retainer/fees.
- (b) The values reflect the FAS 123(R) expense the Company recorded in 2007. Each non-employee director had his account under the Directors Deferred Compensation Plan credited with an amount equal to the value of 6,000 common shares of the Company on January 3, 2007. The values reflect an increase in the value of the 2007 award resulting from the change in the Company's closing stock price on January 3, 2007 of \$4.65 to \$4.75 at December 31, 2007. The values also reflect an increase in the value of awards granted in prior years resulting from the change in the Company's closing stock price of \$4.57 at December 31, 2006 to \$4.75 at December 31, 2007. All directors, except for Messrs. Byrnes, Mahoney, Morris and Shumate, are 100% vested in these awards. For a discussion of the valuation assumptions and methodology, see Note 14 to the Company's Consolidated Financial Statements included in the Annual Report of Form 10-K for the year ended December 31, 2007.
- (c) On the date of the 2007 Annual Meeting of Shareholders (May 3, 2007), each director was granted a stock option for 9,000 shares. In addition, Mr. Zrno elected and received his annual retainer and director's fees, which totaled \$89,500 for 2007, in the form of a grant of a stock option for 48,400 common shares instead of cash. The values reflect both the grant date fair value and the FAS 123(R) expense the Company recorded in 2007 as these stock options were fully vested on the date of grant. For a discussion of the valuation assumptions and methodology, see Note 14 to the Company's Consolidated Financial Statements included in the Annual Report of Form 10-K for the year ended December 31, 2007.
- (d) As of December 31, 2007, the non-employee directors (and former director) held an aggregate of 203,117 stock awards and an aggregate of 1,702,225 options, as set forth below:

| Name                         | Number of Stock Awards Outstanding As of December 31, 2007 | Number of Options Outstanding As of December 31, 2007 |
|------------------------------|--|---|
| Bruce L. Byrnes              | 19,500   | 61,000  |
| Philip R. Cox                | 39,221   | 91,925  |
| Robert W. Mahoney            | 18,000   | 52,000  |
| Daniel J. Meyer              | 25,500   | 97,000  |
| Michael G. Morris            | 19,500   | 61,000  |
| Alex Shumate                 | 12,000   | 43,000  |
| John M. Zrno                 | 25,500   | 1,208,050   |
| David B. Sharrock (Resigned) | 43,896   | 88,250  |



### **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

During fiscal 2007, the members of the Compensation Committee included Messrs. Byrnes, Cox, Meyer, Morris and, for a portion of the year, Mr. Sharrock. None of the Compensation Committee's current members has at any time been an officer or employee of the Company. None of the Company's executive officers serves, or in the past fiscal year served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on the Company's Board or Compensation Committee.

### **CODE OF BUSINESS CONDUCT AND CODES OF ETHICS**

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

For information on how to obtain a copy of the Company's Code of Business Conduct, Code of Ethics for Senior Financial Professionals or Code of Ethics for Directors, please see page 65.

### **CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

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

an executive officer, director or director nominee of the Company;

any person who is known to be the beneficial owner of more than 5% of the Company's common shares;

any person who is an immediate family member (as defined under Item 404 of Regulation S-K) of an executive officer, director or director nominee or beneficial owner of more than 5% of the Company's common shares; or

any firm, corporation or other entity in which any of the foregoing persons is employed or is a partner or principal or in a similar position or in which such person, together with any other of the foregoing persons, has a 5% or greater beneficial ownership interest. The Company's Code of Ethics for Senior Financial Officers, the Company's Code of Ethics for Directors and the Company's Code of Business Conduct require directors, officers and all other members of the workforce to avoid any relationship, influence or activity that would cause or even appear to cause a conflict of interest. The Company's Code of Business Conduct, Code of Ethics for Senior Financial Officers and Code of Ethics for Directors generally require (i) a director to promptly disclose to the Governance and Nominating Committee any potential or actual conflict of interest involving him or her and (ii) an employee, including the executive officers, to promptly disclose a conflict of interest to the General Counsel. The Governance and Nominating Committee (and, if applicable, the General Counsel) determines an appropriate resolution to actual or potential conflicts of interest on a case-by-case basis. All directors must recuse themselves from any discussion or decision affecting their personal, business or professional interests.

All related party transactions shall be disclosed in the Company's applicable filings with the Securities and Exchange Commission as required under SEC rules. In 2007, the related party transactions required to be disclosed are as follows:

Mr. Cassidy, a director and President and Chief Executive Officer of the Company, serves as a trustee for the Boomer Esiason Foundation (the Foundation), a non-profit corporation established to provide support to find a cure for cystic fibrosis. In 2007, the Company donated approximately \$375,000 of in-kind services to the Foundation. The Company believes that Mr. Cassidy received no personal benefit in connection with the Company providing these in-kind services and, therefore, has no interest in this transaction.

Mr. Byrnes, a director of the Company, is an executive officer of The Procter & Gamble Company (P&G). The Company provides certain telecommunication services to P&G. A substantial portion of the services provided to P&G are provided by the Company as a public utility at rates fixed in conformity with law. All other services were provided by the Company in the ordinary course of its business under competitive marketplace conditions and on terms that were reasonable and in the best interests of the Company. The aggregate amount paid by P&G for the Company's services in 2007 was approximately \$9 million. The Company believes that Mr. Byrnes received no personal benefit in connection with the Company providing these services and, therefore, has no interest in these transactions.

## ELECTION OF DIRECTORS

### (Item 1 on the Proxy Card)

The Company's Amended Regulations provide that the Board shall consist of not less than nine nor more than 17 persons, with the exact number to be fixed and determined by resolution of the Board or by resolution of the shareholders at any annual or special meeting of shareholders. The Board has determined that the Board shall consist of 10 members. With the resignation of Carl Redfield in November 2006 and the resignation of David B. Sharrock in October 2007, the Board of the Company presently has eight members, one of whom is an officer of the Company, and two vacancies. The Board may fill these vacancies at any time. The Board continues to seek and consider candidates to fill these vacancies. Any vacancy may be filled by the Board in accordance with law and the Company's Amended Regulations for the remainder of the full term of the vacant directorship.

The Company's Amended Articles of Incorporation currently provide for the directors to be divided into three classes of approximately equal size. As a result of the vacancies on the Board created by the resignations of Messrs. Redfield and Sharrock, the classes of directors were no longer balanced. Since the Company's Amended Articles of Incorporation contemplate classes of directors of approximately equal size, the Governance and Nominating Committee and the Board of Directors decided on October 31, 2007 to move Bruce L. Byrnes from a Class III director to a Class I director, without extending his term. As a result of this reclassification, the three classes of directors now contain two (Class I), three (Class II) and three (Class III) members, and, therefore, are of approximately equal size. When these vacancies on the Board are filled, the Board will do so in a manner that maintains the classes of approximately equal size.

Generally, at each Annual Meeting of Shareholders, directors constituting one class are elected for three-year terms. However, because the directors whose terms are expiring are from multiple classes and nominees are being proposed for multiple classes, not all directors at this Annual Shareholder Meeting will be elected to a three-year term. Instead, upon election, the terms of the three directors in Class III will expire in 2011 and the term of the one director in Class I will expire in 2009 (corresponding with the expiration of the other Class I director). The term of the other director in Class I expires in 2009. The terms of the three directors in Class II expire in 2010. The directors of each class will serve until their respective successors are elected and qualified.

The Board nominated John F. Cassidy, Robert W. Mahoney and Daniel J. Meyer, all of whom are incumbent directors, as Class III directors, to serve until the 2011 Annual Meeting of Shareholders and Bruce L. Byrnes, an incumbent director, as a Class I director, to serve until 2009. Since the Company's retirement policy applicable to Board members provides that directors cannot continue to serve on the Board past the annual meeting following their attaining the age of 72, Messrs. Mahoney and Meyer will serve only until the annual meeting in 2009, at which time their retirements will cause two vacancies in the Class III directorships.

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

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

### **Our Recommendation**

**The three director nominees for Class III who receive the greatest number of votes will be elected to the Board as Class III directors and the one director nominee for Class I who receives the greatest number of votes will be elected to the Board as a Class I director. Abstentions from voting will have no effect on the outcome of the election and, since the Company believes this matter to be routine, broker non-votes will likely be voted by the organizations holding such shares in their discretion. The Board recommends election of each of the nominees.**

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

**NOMINEES FOR CLASS III DIRECTORS**

**(Terms Expire in 2011)**

|                   |  |
|-------------------|--|
| John F. Cassidy   | Mr. Cassidy has been the President and Chief Executive Officer of Cincinnati Bell Inc. since July 2003 and a director of Cincinnati Bell Inc. since September 2002. Among other positions held with the Company, he has been President and Chief Operating Officer of Cincinnati Bell Telephone Company since May 2001; and President of Cincinnati Bell Wireless Company since 1997. Director since 2002. Age 53. |
| Robert W. Mahoney | Mr. Mahoney is retired. He served as Chairman of the Board and Chief Executive Officer of Diebold, Inc. (a manufacturer of automated self-service transaction systems) from 1988 until April 2000. He is a director of The Timken Company and The Sherwin-Williams Company. Director since 2004. Age 71.   |
| Daniel J. Meyer   | Mr. Meyer is retired and the former Chairman and Chief Executive Officer of Milacron, Inc. (a manufacturer of metal working fluids and plastics processing machinery and systems) from 1991 through May 2001. He is a director of AK Steel Holding Corporation and Hubbell Incorporated. Director since 1999. Age 71.  |

**NOMINEES FOR CLASS I DIRECTOR**

**(Term Expires in 2009)**

|                 |  |
|-----------------|--|
| Bruce L. Byrnes | Mr. Byrnes is currently Vice Chairman Global Brand Building Training of The Procter & Gamble Company (a consumer products company). Prior to that, he was Vice Chairman and President Global Household Care of The Procter & Gamble Company. From 2002 through 2004, he served The Procter & Gamble Company as Vice Chairman of the Board and President Global Beauty & Feminine Care and Global Health Care. He is a director of The Procter & Gamble Company. Director since 2003. Age 59. |
|-----------------|--|

**CLASS I DIRECTOR**

**(Term Expires in 2009)**

Alex Shumate Mr. Shumate has been the managing partner of the Columbus office of Squire, Sanders & Dempsey L.L.P. (an international law firm) since 1991. He is a director of Nationwide Financial Services and Wm. Wrigley Jr. Company. Director since 2005. Age 57.

**CLASS II DIRECTORS**

**(Terms Expire in 2010)**

Phillip R. Cox Mr. Cox has been President and Chief Executive Officer of Cox Financial Corporation (a financial planning services company) since 1972. He is a director of the Federal Reserve Bank of Cleveland, Duke Energy Corporation, The Timken Company, Touchstone Mutual Funds, Long Stanton Manufacturing Company and a member of the Board of Trustees for the University of Cincinnati. Director since 1993. Age 60.

Michael G. Morris Mr. Morris has been the President and Chief Executive Officer of American Electric Power (an electric and gas utility) since January 2004 and the Chairman of American Electric Power since February 2004. Before joining American Electric Power, he was the Chairman, President and Chief Executive Officer of Northeast Utilities System from 1997 through December 2003. He is a director of The Hartford Financial Corp. Director since 2003. Age 61.

John M. Zrno Mr. Zrno is retired. He was President and Chief Executive Officer of IXC Communications, Inc. (a telecommunications company) from June 1999 through November 1999. He served as President and Chief Executive Officer of ALC Communications Corporation from 1988 through 1995. He is a director of BullsEye Telecom. Director since 1999. Age 69.

**APPROVAL OF A COMPANY PROPOSAL TO DECLASSIFY THE BOARD OF DIRECTORS AND REQUIRE ANNUAL ELECTION OF DIRECTORS**

**(Item 2 on the Proxy Card)**

**Proposal:** To amend the Company's Restated Amended Articles of Incorporation to declassify the Board of Directors and to approve an amendment to the Company's Amended Regulations to require the annual election of directors. The Board is submitting a proposal to shareholders to amend the Company's Restated Amended Articles of Incorporation (the Amended Articles of Incorporation) to declassify the Board of Directors and to amend the Company's Amended Regulations to require the annual election of directors.

Currently, the Board is divided into three classes, with directors elected to staggered three-year terms. Approximately one-third of the directors stand for election each year. If the proposed amendments to the Amended Articles of Incorporation and to the Amended Regulations are approved, directors will be elected to one-year terms of office starting at the 2009 annual meeting of shareholders. If the action is approved, the declassification of the Board will transition as follows:

Current directors, including those elected to three-year terms at the 2008 annual meeting, will continue to serve the remainder of their elected terms; and

Starting with the Annual Meeting of Shareholders in 2009, directors will be elected annually, so that by the annual meeting of shareholders in 2011, all directors will be elected annually.

The Governance and Nominating Committee and the Board carefully considered the advantages and disadvantages of maintaining the classified Board structure. They considered that the overlapping three-year terms of directors are designed to provide stability, enhance long-term planning and insure that, at any given time, there are directors serving on the Board who are familiar with the Company and our business and strategic goals. Staggered terms also give new directors an opportunity to gain knowledge about our business and strategies from experienced directors and may assist us in attracting director candidates interested in making a long-term commitment to us and our shareholders. A classified board structure arguably also enhances the independence of the non-management members of the Board.

The Committee and Board also considered the views that a classified board structure reduces director accountability to shareholders and diminishes shareholder influences over a corporation's policies. In addition, the Committee and the Board considered that many U.S. public companies have eliminated their classified board structures in recent years in favor of annual director elections.

After weighing all of these considerations, the Governance and Nominating Committee recommended to the Board the elimination of staggered director terms. The Board has approved the proposed amendment to the Amended Articles of Incorporation to *eliminate* Article Fifth which requires staggered terms for directors and to add a new Section 2 to Article II of the Amended Regulations (and renumber the remaining sections of Article II accordingly) to provide for annual election of directors. The new Section 2 to Article II of the Amended Regulations would read as follows:

**Section 2. Election and Term.** Except as otherwise provided by law, the Articles of Incorporation of the Company or these Regulations, directors shall be elected at the annual meeting of shareholders to serve one-year terms and until their successors are elected and qualified; provided, however, that directors serving on the date of the annual meeting of shareholders in 2008, including those elected at such meeting, shall continue to serve the remainder of their elected terms. The number of directors of the corporation shall be fixed from time to time in accordance with the Regulations and may be increased or decreased as herein provided.

### **Vote Required**

Adoption of the proposed amendments to the Company's Amended Articles of Incorporation and Amended Regulations requires both (i) the affirmative vote of the holders of two-thirds of the issued and outstanding common shares and 6<sup>3</sup>/<sub>4</sub>% Cumulative Convertible Preferred Shares, voting as one class and (ii) the affirmative vote of the holders of a majority of disinterested shares voted on the proposal. Accordingly, in determining the vote of the issued and outstanding common shares and 6<sup>3</sup>/<sub>4</sub>% Cumulative Convertible Preferred Shares, voting as one class (subclause (i) above), abstentions from voting and broker non-votes will have the effect of a vote against the proposed amendment and, in determining the vote of disinterested shares voted (subclause (ii) above), abstentions from voting and broker non-votes will have no effect on the vote.

If approved, this amendment will become effective upon the filing of a Certificate of Amendment to the Company's Amended Articles of Incorporation with the Secretary of State of Ohio. The Company would make such filing promptly after approval of the proposal at the annual meeting. The directors elected at the 2009 annual meeting of shareholders would then be elected to serve one-year terms.

For purposes of the above vote, disinterested shares means voting shares beneficially owned by any person not an interested shareholder or an affiliate or associate of an interested shareholder. An interested shareholder, with respect to the Company, means a person, other than the Company, a subsidiary of the Company, any employee stock ownership or benefit plan of the Company or a subsidiary of the Company, or any trustee or fiduciary with respect to any such plan acting in such capacity, who is the beneficial owner of a sufficient number of shares of the Company that, when added to all other shares of the Company in respect of which that person may exercise or direct the exercise of voting power, would entitle that person, directly or indirectly, alone or with others, including affiliates and associates of that person, to exercise or direct the exercise of ten percent (10%) of the voting power of the Company in the election of directors after taking into account all of that person's beneficially owned shares that are not currently outstanding.

**The Board recommends a vote FOR the proposed amendments.**

### **Effect of Management Vote on Proposal**

Since the directors and officers of the Company own beneficially 8,091,316 voting securities or 3.3 percent of the outstanding voting securities, their votes are not likely to have a material impact on whether the proposal is adopted.

**APPROVAL OF A COMPANY PROPOSAL**

**TO REQUIRE A MAJORITY VOTE FOR THE ELECTION OF A DIRECTOR**

**(Item 3 on the Proxy Card)**

**Proposal:** To amend the Company's Restated Amended Articles of Incorporation to require a majority vote for the election of a director and to approve an amendment to the Company's Amended Regulations addressing holdover directors.

**Current Standard**

Prior to January 1, 2008, Ohio law mandated that directors be elected by a plurality of the votes cast; that is, director nominees with the most votes cast in their favor are elected, notwithstanding any withheld votes or votes against their election. Effective January 1, 2008, Ohio law has been amended to allow companies to provide for a majority vote for the election of a director by providing that, unless the Articles of Incorporation otherwise provide, directors are elected by a plurality of the votes cast. The Company's Amended Articles of Incorporation are silent on this issue presently. As a result, the plurality standard governs the election of directors of the Company.

**Description of Amended Articles of Incorporation Amendment and Amended Regulations Amendment Generally**

The Board has adopted and now recommends shareholder approval of proposals to amend: (i) the Company's Amended Articles of Incorporation to require that a candidate in an uncontested election for director receive a majority of the votes cast in order to be elected as a director, and (ii) the Company's Amended Regulations to handle holdover director issues. In contested elections where the number of nominees exceeds the number of directors to be elected, the vote standard would continue to be a plurality of the votes cast.

**Background**

Shareholders of many public companies have recently urged that directors be required to receive a majority of the votes cast in favor of their election rather than the generally applicable plurality standard (which simply requires more votes than those of any other candidate). In fact, last year, the Company received such a proposal from one of its shareholders; however, Ohio law at that time did not permit a majority vote standard and, as such, the proposal was not submitted to the shareholders last year. The Company agreed with that shareholder to support such standard at a time when the Ohio law allowed. In response to similar shareholder requests, a number of public companies have recently adopted charter or bylaw provisions requiring a majority vote standard and/or bylaws or corporate governance guidelines requiring that a director not receiving such a majority submit his or her resignation to the Board or one of its committees. The resignation policy or bylaw is designed to deal with the typical state law provision that provides that a director remains in office until his successor is elected, even if the director has not received a vote sufficient for re-election (a holdover director).

The Governance and Nominating Committee and the Board of Directors have carefully considered the arguments for and against a majority vote standard. The plurality standard provides greater certainty that the annual election will result in a full and duly elected board of directors. However, the Board also recognizes that requiring a majority of the votes cast insures that only directors with broad acceptability among the voting shareholders will be seated on the Board and enhances the accountability of each Board member to the shareholders. Therefore, the Board has concluded that the majority vote standard and the director resignation provisions would be in the best interest of the Company.



**Amendment of Amended Articles of Incorporation**

Under Ohio law, a standard other than a plurality may only be used if it is specified in the Articles of Incorporation. If the amendment is approved, a new Article of the Company's Amended Articles of Incorporation will be added to read as follows:

[FIFTH][TENTH]\*: Except as otherwise provided in Article Fourth regarding the election of directors by the holders of any series of Preferred Shares, each director shall be elected by the vote of the majority of the votes cast with respect to the director at any meeting for the election of directors at which a quorum is present, provided, that if the number of nominees exceeds the number of directors to be elected, the directors shall be elected by a vote of the plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors. For purposes of this Article, a majority of the votes cast means that the number of shares voted for a director must exceed the number of votes cast against that director.

If approved, this amendment will become effective upon the filing of a Certificate of Amendment to the Company's Amended Articles of Incorporation with the Secretary of State of Ohio. The Company would make such a filing promptly after approval of the proposal at the annual meeting. The new standard would then be applicable to the election of directors at the 2009 annual meeting of shareholders.

\* The numbering of the Article to be added if this proposal (the Majority Vote Proposal) is adopted will depend on whether the Company proposal to declassify the Board of Directors (Item 2 on the Proxy Card) (the Declassification Proposal) is approved by the shareholders. If the Declassification Proposal is approved, the new Article will be numbered FIFTH; but if the Declassification Proposal is not approved, the new Article will be numbered TENTH.

### Amendment of Amended Regulations

Under Ohio law, a director continues to serve in office until his or her successor is elected or until there is a decrease in the number of directors, even if the director is a candidate for re-election and does not receive the required vote. To address the potential for such a holdover director if the new majority vote standard is adopted, the Board has approved a new provision to be added to the Company's Amended Regulations as a Section of Article II (and the remaining sections of Article that would be renumbered accordingly) to read as follows.

**[Section 2] [Section 3].\*\* *Failed Director Election/Director Resignation.*** If a nominee for director is not elected and the nominee is an incumbent director, the director shall promptly tender his or her resignation to the board of directors, subject to acceptance by the board of directors. The Governance and Nominating Committee will make a recommendation to the board of directors as to whether to accept or reject the director's resignation or whether other action should be taken. The board of directors will act on the tendered resignation, taking into account the Governance and Nominating Committee's recommendation, and publicly disclose (by a press release, a filing with the Securities and Exchange Commission or other broadly disseminated means of communication) its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of the certification of the election results. The Governance and Nominating Committee in making its recommendation and the board of directors in making its decision may consider any factors or other information that they consider appropriate and relevant. The director who tenders his or her resignation will not participate in the recommendation of the Governance and Nominating Committee or the decision of the board of directors with respect to his or her resignation.

If a director's resignation is accepted by the board of directors pursuant to this Regulation, or if a nominee for director is not elected and the nominee is not an incumbent director, the board of directors may fill the resulting vacancy pursuant to Section 5 of Article II of the Regulations or may decrease the size of the board pursuant to the provisions of Section 1 of Article II of the Regulations.

The provision will become effective upon shareholder approval of the amendment described herein and upon filing of the Certificate of Amendment described above. A holdover director issue only arises if the majority voting standard is adopted.

The new Regulation provision provides that, if an incumbent director is nominated but not re-elected, the director shall tender his or her resignation to the Board, subject to acceptance by the Board. The Governance and Nominating Committee will make a recommendation to the Board concerning such resignation, and the Board will act on the tendered resignation and publicly disclose its decision regarding the tendered resignation and the rationale behind its decision within 90 days from the date of the certification of the election results. The director who tenders his or her resignation will not participate in the recommendation of the Governance and Nominating Committee or the decision of the Board with respect to his or her resignation.

If a director's resignation is accepted by the Board pursuant to the proposed regulation, or if a nominee for director is not elected and the nominee is not an incumbent director, the Board may fill the resulting vacancy or may decrease the size of the Board pursuant to other provisions of the Amended Regulations.

\*\* The numbering of the Section to be added to Article II of the Amended Regulations if the Majority Vote Proposal is adopted will depend on whether the Company's Declassification Proposal is approved by the shareholders. If the Declassification Proposal is approved, the new Section to Article II will be numbered Section 3 ; but if the Declassification Proposal is not approved, the new Section to Article II will be numbered Section 2.

**Vote Required**

The proposals to amend the Amended Articles of Incorporation to require a majority vote for election of a director and to amend the Amended Regulations to handle any holdover directors are being presented for approval together as a package because, if the majority vote standard is not approved, there are no holdover director issues. Under plurality voting, the directors who receive the most votes are elected and, therefore, there are no holdover directors.

Adoption of the proposed amendments to the Amended Articles of Incorporation and the Amended Regulations requires the affirmative vote of the holders of two-thirds of the issued and outstanding common shares and 6<sup>3</sup>/<sub>4</sub>% Cumulative Convertible Preferred Shares, voting as one class. Accordingly, abstentions from voting and broker non-votes will have the effect of a vote against the proposed amendments.

**The Board recommends a vote FOR the proposed amendments.**

**Effect of Management Vote on Proposal**

Because the directors and officers of the Company own beneficially 8,091,316 voting shares or 3.3 percent of the outstanding voting securities, their votes are not likely to have a material impact on whether the proposal is adopted.

**RATIFICATION OF APPOINTMENT OF INDEPENDENT ACCOUNTANTS**

**(Item 4 on the Proxy Card)**

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

On January 24, 2008, the Audit and Finance Committee retained Deloitte & Touche LLP as its Independent Accountants to audit the financial statements of the Company for the fiscal year ending December 31, 2008.

The Company is asking the shareholders to ratify its appointment of Deloitte & Touche LLP as Independent Accountants of the Company for the fiscal year ending December 31, 2008. If the shareholders do not ratify this appointment, the Audit and Finance Committee will consider the results of the vote and determine whether to recommend and appoint a different independent registered public accounting firm to audit the financial statements of the Company for the fiscal year ending December 31, 2008.

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

**Vote Required**

**Ratification of the appointment of Deloitte & Touche LLP as Independent Accountants requires the affirmative vote of the holders of a majority of the common shares and 6 3/4% Cumulative Convertible Preferred Shares, voting as one class, present or represented at the annual meeting, in person or by proxy, and entitled to vote on this proposal. Abstentions will have no effect on the vote. Since the Company believes this proposal to be routine, broker non-votes will likely be voted by the organizations holding such shares in their discretion.**

**The Board recommends a vote FOR such ratification.**

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

#### **AUDIT AND FINANCE COMMITTEE REPORT**

The Audit and Finance Committee of the Board has reviewed and discussed the Company's audited financial statements with the management of the Company and has reviewed a report from management assessing the Company's internal controls. The Audit and Finance Committee has discussed with Deloitte & Touche LLP, the Company's Independent Accountants for the fiscal year ended December 31, 2007, the matters required to be discussed by the Statement on Auditing Standards No. 114 and Rule 2-07 of Regulation S-X. The Audit and Finance Committee has also received the written disclosures and letter from the Independent Accountants required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), has discussed with Deloitte & Touche LLP their independence with respect to the Company, and has considered the question of whether the auditors' provision of non-audit services was compatible with the Independent Accountants maintaining their independence.

Based on its review and discussions referred to in the preceding paragraph, the Audit and Finance Committee recommended to the Board that the audited financial statements for the Company's fiscal year ended December 31, 2007 be included in the Company's Annual Report on Form 10-K for the Company's fiscal year ended December 31, 2007.

The Board has determined that each member of the Audit and Finance Committee satisfies the independence requirements of the rules and regulations of the SEC and the independence and other requirements of the rules and listing standards of the NYSE. The Board has determined that Daniel J. Meyer, Robert W. Mahoney and John M. Zrno are audit committee financial experts as defined in the rules and regulations of the SEC and that each member of the Committee is financially literate as defined by the rules and listing standards of the NYSE.

#### AUDIT AND FINANCE COMMITTEE

Daniel J. Meyer, Chairman

Phillip R. Cox

Robert W. Mahoney

Michael G. Morris

John M. Zrno

## INDEPENDENT ACCOUNTANTS

### Audit Fees

Deloitte & Touche LLP was the Company's Independent Accountants for the 2006 and 2007 fiscal years. Aggregate fees for professional services rendered for the Company by Deloitte & Touche LLP for the years ended December 31, 2007 and December 31, 2006 were as follows:

|                    | 2007                | 2006                |
|--------------------|---------------------|---------------------|
| Audit Fees         | \$ 1,795,200        | \$ 1,616,500        |
| Audit Related Fees | 152,700             | 322,143             |
| Tax Fees           |                     |                     |
| All Other Fees     | 536,981             |                     |
| <b>Total</b>       | <b>\$ 2,484,881</b> | <b>\$ 1,938,643</b> |

### Audit Fees

The audit fees for the years ended December 31, 2007 and 2006 were for services rendered in connection with the audit of the Company's annual consolidated financial statements, review of consolidated financial statements included in the Company's reports filed with the SEC and services related to requirements established by the Sarbanes-Oxley Act of 2002.

### Audit Related Fees

The audit related fees for the years ended December 31, 2007 and 2006 were for professional services rendered for the audits of the Company's employee benefit plans filed with the SEC, due diligence services and various accounting consultations.

### Tax Fees

The Company did not pay Deloitte & Touche LLP any tax fees for the years ended December 31, 2007 or 2006.

### All Other Fees

All other fees for the year ended December 31, 2007 were for assistance with a small and medium size business market opportunity assessment.

### Engagement of the Independent Accountants and Pre-Approval Policy

In accordance with its charter, the Audit and Finance Committee has the sole authority and responsibility to select, evaluate and, if necessary, replace the Independent Accountants. The Audit and Finance Committee has the sole authority to approve all audit engagement fees and terms. In addition, the Audit and Finance Committee, or the Chairperson of the Audit and Finance Committee between regularly scheduled meetings, must pre-approve all services provided to the Company by the Company's Independent Accountants.

Pursuant to Section 202 of the Sarbanes-Oxley Act of 2002, the Audit and Finance Committee pre-approved every engagement of Deloitte & Touche LLP to perform audit or non-audit services on behalf of the Company or any of its subsidiaries during the years ended December 31, 2007 and 2006.

### STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of common shares as of December 31, 2007 by each beneficial owner of more than five percent (5%) of the common shares outstanding known by the Company. No beneficial owner owns more than five percent (5%) of the 6<sup>3/4</sup>% Cumulative Convertible Preferred Shares.

| Name and Address of Beneficial Owner  | Common Shares<br>Beneficially<br>Owned | Percent Of<br>Common Shares |
|---|--|-----------------------------|
| Barclays Global Investors, N.A.<br><br>45 Fremont Street<br><br>San Francisco, CA 94105 | 18,132,723 (a)                         | 7.3% (a)                    |
| FMR LLC<br><br>82 Devonshire Street<br><br>Boston, MA 02109                             | 17,763,736 (b)                         | 7.2% (b)                    |
| GAMCO Investors, Inc. and affiliates<br><br>One Corporate Center<br><br>Rye, NY 10580   | 12,704,969 (c)                         | 5.1% (c)                    |
| Wells Fargo & Company<br><br>420 Montgomery Street<br><br>San Francisco, CA 94163       | 13,894,061 (d)                         | 5.6% (d)                    |

- (a) As reported on Schedule 13G filed on February 5, 2008 by Barclays Global Investors, N.A., as of December 31, 2007, Barclays Global Investors, N.A. had sole voting power for 8,705,490 common shares and sole dispositive power for 9,894,390 common shares and Barclays Global Fund Advisors had sole voting and dispositive power for 8,238,333 common shares.
- (b) As reported on Schedule 13G filed on February 14, 2008 by FMR LLC, as of December 31, 2007, FMR LLC had sole voting power for 592,760 common shares and sole dispositive power for 17,763,736 common shares.
- (c) As reported on Schedule 13D filed on January 9, 2008 by GAMCO Investors, Inc., Gabelli Funds, LLC has sole voting and dispositive power for 4,787,363 common shares, GAMCO Asset Management Inc. has sole voting power for 7,521,606 common shares and sole dispositive power for 7,824,606 common shares, MJG Associates, Inc. has sole voting and dispositive power for 55,000 common shares, Gabelli Securities, Inc. has sole voting and dispositive power for 33,000 common shares and Mario J. Gabelli has sole voting and dispositive power for 5,000 common shares. The amounts found in the Schedule 13D include a number of shares with respect to which certain of the reporting persons (Gabelli Funds, LLC and GAMCO Asset Management, Inc.) have the right to beneficial ownership upon the conversion of the Company's 6<sup>3/4</sup>% Cumulative Convertible Preferred Shares.
- (d) As reported on Schedule 13G filed on February 1, 2008 by Wells Fargo & Company, as of December 31, 2007, Wells Fargo & Company had sole voting power for 13,414,706 common shares and sole dispositive power for 13,707,539 common shares.

The following table sets forth the beneficial ownership of common shares and 6<sup>3/4</sup>% Cumulative Convertible Preferred Shares as of February 27, 2008 (except as otherwise noted) by (i) each director and each executive officer named in the Summary Compensation Table on page 45, and (ii) all directors and executive officers of the Company as a group.

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





| Name and Address of Beneficial Owner  | Common Shares Beneficially Owned as of February 27, 2008 (unless otherwise noted)<br>(a) | Percent Of Common Shares<br>(c) | 6 <sup>3</sup> / <sub>4</sub> % Cumulative Convertible Preferred Shares Owned as of February 27, 2008<br>(d) | Percent of 6 <sup>3</sup> / <sub>4</sub> % Cumulative Convertible Preferred Shares<br>(d) |
|---|--|---------------------------------|--|---|
| Bruce L. Byrnes   | 127,222  | *                               |  | *   |
| John F. Cassidy   | 4,679,862  | 1.9%                            |  | *   |
| Phillip R. Cox  | 94,986   | *                               |  | *   |
| Rodney D. Dir   | 43,894   | *                               |  | *   |
| Kurt A. Freyberger  | 49,330   | *                               |  | *   |
| Brian G. Keating  | 207,610  | *                               |  | *   |
| Robert W. Mahoney   | 52,000   | *                               |  | *   |
| Daniel J. Meyer   | 108,000  | *                               |  | *   |
| Michael G. Morris   | 95,425   | *                               |  | *   |
| Brian A. Ross   | 1,022,057  | *                               |  | *   |
| Alex Shumate  | 43,000   | *                               |  | *   |
| Christopher J. Wilson   | 332,880  | *                               |  | *   |
| John M. Zrno  | 1,213,050(b)   | *                               |  | *   |
| All directors and executive officers as a group (consisting of 14 persons, including those named above) | 8,091,316  | 3.3%                            |  | *   |

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

- (a) Includes common shares subject to outstanding options under the Cincinnati Bell Inc. 1997 Long Term Incentive Plan, the Cincinnati Bell Inc. 2007 Long Term Incentive Plan and the Directors Stock Option Plan that are exercisable by such individuals within 60 days. The following options are included in the totals: 61,000 common shares for Mr. Byrnes; 3,956,190 common shares for Mr. Cassidy; 91,925 common shares for Mr. Cox; 45,000 common shares for Mr. Freyberger; 160,850 common shares for Mr. Keating; 52,000 common shares for Mr. Mahoney; 97,000 common shares for Mr. Meyer; 61,000 common shares for Mr. Morris; 891,400 common shares for Mr. Ross; 43,000 common shares for Mr. Shumate; 295,050 common shares for Mr. Wilson; and 1,208,050 common shares for Mr. Zrno.
- (b) Includes 5,000 common shares held by the Zrno Family Limited Partnership.
- (c) These numbers are based upon 248,418,569 common shares issued and outstanding as of the Record Date.
- (d) These numbers represent 6<sup>3</sup>/<sub>4</sub>% Convertible Preferred Shares. In the aggregate, the 155,250 issued and outstanding 6<sup>3</sup>/<sub>4</sub>% Convertible Preferred Shares are represented by 3,105,000 Depositary Shares and each 6<sup>3</sup>/<sub>4</sub>% Convertible Preferred Share is represented by 20 Depositary Shares.

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

#### **COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed the following Compensation Discussion and Analysis with management. Based on our review and discussions with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference in Cincinnati Bell Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

#### COMPENSATION COMMITTEE

Michael G. Morris, Chairman

Bruce L. Byrnes

Phillip R. Cox

Daniel J. Meyer

## COMPENSATION DISCUSSION AND ANALYSIS

### General

This Compensation Discussion and Analysis will focus on:

The philosophy and objectives of the Company's executive compensation program.

The goals that the executive compensation program is designed to reward.

Each of the elements of the executive compensation program.

Why the Compensation Committee selected the particular elements of compensation.

How the Compensation Committee determines the amounts and formulas for pay.

How each compensation element and the Company's decisions regarding that element fit into the Company's overall compensation objectives and affect decisions regarding other elements.

### Compensation Program Philosophy and Objectives

The Company's compensation program has the following primary philosophy and objectives:

Compensation must be competitive with other companies to attract and retain high-quality executives.

A significant portion of total executive compensation should be at risk and tied to the achievement of specific short-term and long-term performance objectives, principally the Company's earnings, cash flow and the performance of the Company's common shares, thereby linking executive compensation with the returns realized by shareholders.

Compensation should provide a balance among each executive's base salary and short-term and long-term incentive components appropriate to the current and long-term goals and strategy of the Company.

### *Compensation Goals*

The goals which are designed to be awarded by the Compensation Program are achievement of the Company's current and long-term strategy, which is to de-lever, defend and grow:

**De-lever** the Company's generation of cash flow to repay and reduce its outstanding indebtedness.

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**Defend** the Company's defense from incursions by its competitors of its products and services offerings in all of its market areas.

**Grow** the Company's pursuit of new product and service offerings as well as expansion into new markets.

### **Compensation Elements and General Principles**

There are three elements to the Company's executive compensation program:

Fixed compensation Base salary.

At-risk annual compensation Annual incentives paid in cash.

At-risk long-term compensation Long-term incentives that are equity awards delivered in the form of stock options and performance units, which vest over time and represent a significant portion of the executive's total compensation.

The Company provides these three forms of compensation to reflect competitive practices, to help accomplish its business objectives and to provide an appropriate reward for achieving short- and long-term goals related to the Company's current strategy to defend, de-lever and grow, which should lead to increased shareholder value.

### Determining the Amount of Compensation

The Compensation Committee is primarily responsible for determining executive compensation. The Compensation Committee has retained Mr. Charles Mazza, an independent compensation consultant who is retained solely by the Compensation Committee and performs no services for management, to assist it in its deliberations regarding executive compensation. The Committee has instructed Mr. Mazza to analyze and comment on various compensation proposals made by the Company and on various topics requested by the Committee. In open sessions of Compensation Committee meetings, Mr. Mazza provides opinions on various matters with respect to which the Company is making proposals to the Compensation Committee. In executive sessions of Compensation Committee meetings, Mr. Mazza addresses subjects particular to the Compensation Committee, such as compensation of the Chief Executive Officer. In such instances, Mr. Mazza presents his analysis along with the pros and cons of certain actions and his recommendations. The Compensation Committee Chair also requests Mr. Mazza to contact each member of the Compensation Committee annually as part of the Compensation Committee's self-evaluation and report his conclusions to the Compensation Committee. In addition, the Company retains Towers Perrin, a compensation consulting firm, to assist it with various compensation-related projects during the course of the year. Typically, the Company has a discussion with Towers Perrin about a project, outlining what the objective is, and requests Towers Perrin to develop an approach to, and then complete, the project work. In some instances, the Company will request specific guidance or recommendations from Towers Perrin. For example, when appropriate, the Company requests assistance from Towers Perrin in designing specific incentive plans. In other instances, the request may be for data or information only.

One project done by Towers Perrin is conducting an annual study of marketplace compensation practices. The Compensation Committee annually benchmarks each executive's compensation to ensure that it is in a competitive range and that an appropriate portion of it is at risk; that is, subject to payment only if the Company obtains certain quantitative results and the individual achieves certain qualitative results. Towers Perrin obtains, compiles and supplies to the Company and the Compensation Committee competitive compensation information. This information covers two groups:

The first peer group consists of 19 telecommunications companies. The Company, in consultation with Towers Perrin and Mr. Mazza, annually reviews the list of companies in this group to make certain that the group is appropriate, and the Compensation Committee, after review, approves the peer group. The telecommunications peer group currently includes:

|                             |                                    |
|-----------------------------|------------------------------------|
| Alltel Corp.                | Mediacom Communications Corp.      |
| AT&T                        | Qwest Communications International |
| BellSouth Corp.             | Sprint Nextel Corp.                |
| CenturyTel Inc.             | Telephone & Data Systems           |
| Charter Communications Inc. | &#14                               |