



210 N. Park Ave.  
 P.O. Drawer 200  
 Winter Park, FL  
 3279C-0200  
 Tel: 407-740-8575  
 Fax: 407-740-0613

May 16, 1996

Florida Public Service Commission  
 Division of Administration  
 2450 Shumard Oak Boulevard  
 Gerald L. Gunter Building  
 Room 270  
 Tallahassee, FL 32399-0850

960621-TI

Re: Initial Application and Tariff of Cincinnati Bell Long Distance, Inc. for Authority to Provide Interexchange Telecommunications Services within the State of Florida.

Dear Sir/Madam:

Enclosed for filing are the original and twelve (12) copies of the above-referenced application of Cincinnati Bell Long Distance, Inc.

Also enclosed is a check in the amount of \$250 to cover the filing fee.

Please acknowledge receipt of this filing by date-stamping the extra copy of this cover letter and returning it to me in the self-addressed, stamped envelope provided for this purpose.

Questions regarding this filing may be directed to me at (407) 740-8575.

Yours truly,

*Nanci Adler*

Nanci Adler  
 Consultant to Cincinnati Bell Long Distance

cc: Bernie Moore, CBLD  
 File: CBLD - FL  
 TMX# FL96000

RECEIVED  
 FLORIDA PUBLIC  
 SERVICE COMMISSION  
 96 MAY 17 AM 9:58  
 MAIL ROOM

RECEIVED & FILED  
 [Signature]  
 DISBURSEMENT OF REVENUE

Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward a copy of check to RAR with proof of deposit.

Initials of person who forwarded check:

*A.S.*

610000 610000  
 BARNETT BANK OF TALLAHASSEE  
 FOR DEPOSIT ONLY  
 PUBLIC SERVICE COMMISSION #610000  
 FLORIDA STATE TREASURY  
 CONCENTRATION ACCOUNT #1000004440  
 610000 610000  
 DOCUMENT NUMBER-DATE  
 05511 MAY 17 96  
 FPSC-RECORDS/REPORTING

Certain corporate administrative expenses have been allocated to segments based upon the nature of the expense. Assets are those assets used in the operations of the segment.

During 1995, 1994 and 1993 the Company had special items as described in Note 2.

Information Systems revenues and expenses for 1993 included approximately \$67 million and \$89 million, respectively, related to businesses sold or closed during 1994. Accordingly, revenues and operating expenses for these businesses during 1994 were charged to the restructuring and disposal reserve as described in Note 2. Information Systems operating income for 1993 was reduced by special charges of \$102 million. Marketing Services revenues and operating income for 1994 increased from the inclusion of the operations of WATS Marketing for a full year, which was acquired in November 1993.

Revenues from foreign sources and assets denominated in foreign currencies at December 31, 1995, were less than 6% and 5%, respectively, of consolidated totals.

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### 19. Major Customer

The Company derives significant revenues in all three of its business segments from AT&T and its affiliates by providing network services, information management systems and marketing services. During 1995, 1994 and 1993, revenues from AT&T accounted for 26%, 23% and 17%, respectively, of the Company's consolidated revenues. Excluding network access revenues, revenues from AT&T were 22%, 19% and 12%, respectively.

CBT and AT&T are discussing whether to revise portions of the companies' agreement governing their joint provision of certain telecommunications services. Revenues subject to discussion represent well less than 10% of CBT's revenues but portions of the contract provide above-average profit contribution. The discussions are in a preliminary stage and their outcome cannot be predicted. The worst-case scenario, which is not expected, could have a significant impact on CBT's earnings beginning in mid-1996. The discussions do not involve AT&T's relationships with other Cincinnati Bell companies.

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### 20. Contingencies

The Company, which has a 45% interest in a cellular partnership, is seeking to dissolve the partnership because of poor performance. In addition, recent changes in the structure of the telecommunications industry, including the enactment of the Telecommunications Act of 1996, have positioned the partnership in direct competition with its two major partners, including the Company, creating irreconcilable conflicts of interest among them. The Company has pursued this litigation to maximize the value of this asset for the benefit of the shareholders. There are many possible outcomes of this litigation. The potential impact of a settlement from the lawsuit is an extremely broad range depending upon the form of distribution and the amount of damages awarded. At this time, the Company believes it will recover its \$49 million investment in the partnership.

The Company is from time to time subject to routine complaints incidental to the business. The Company believes that the results of any complaints and proceedings will not have a materially adverse effect on the Company's financial condition.

At December 31, 1995, the Company and its subsidiaries had approximately 15,100 employees. CBT and CBIS had approximately 2,200 employees covered under collective bargaining agreements with the Communications Workers of America (CWA), which is affiliated with the AFL-CIO. Those agreements expire in May 1996 for CBT and September 1996 for CBIS. Negotiations with representatives of the CWA are planned to begin in March 1996 and the outcome cannot be determined at this time.

FLORIDA PUBLIC SERVICE COMMISSION

Application Form

for

Authority to Provide Interexchange Telecommunications Service  
Between Points Within the State of Florida

To: Florida Public Service Commission  
Division of Records and Reporting  
2540 Shumard Oak Boulevard  
Gerald R. Gunter Building, Room 270  
Tallahassee, Florida 32399-0850  
(904) 413-6600

This package includes the original and twelve (12) copies of the application along with a non-refundable application fee of \$250.00.

1. This is an application for:

- Original Authority (new company)
- Approval of transfer (to another certificated company)
- Approval of assignment of existing certificate (to a noncertificated company)
- Approval for transfer of control (To another certificated company).

2. Select what type of business your company will be conducting (check all that apply):

**Facilities based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.

**Alternative Operator Service** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.

**Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.

**Switchless rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.

**Call aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers associated with such aggregated telecommunications business.

3. Name of corporation, partnership, cooperative, joint venture or sole proprietorship:

Cincinnati Bell Long Distance, Inc.

4. Name under which the applicant will do business (fictitious name, etc.):

Cincinnati Bell Long Distance, Inc.

5. National address (including street name & number, post office box, city, state and zip code).

Cincinnati Bell Long Distance, Inc.  
36 East Seventh Street  
Suite 2200  
Cincinnati, Ohio 45202

(513) 369-2100

6. Florida address (including street name & number, post office box, city, state and zip code).

None.

7. Structure of organization:

|                                                         |                                              |
|---------------------------------------------------------|----------------------------------------------|
| <input type="checkbox"/> Individual                     | <input type="checkbox"/> Corporation         |
| <input checked="" type="checkbox"/> Foreign Corporation | <input type="checkbox"/> Foreign Partnership |
| <input type="checkbox"/> General Partnership            | <input type="checkbox"/> Limited Partnership |
| <input type="checkbox"/> Other, _____                   |                                              |

8. If applicant is an individual or partnership, please give name, title and address of sole proprietor or partners.

Not applicable.

- (a) Provide proof of compliance with the foreign partnership statute (Chapter 620.169 FS), if applicable.

- (b) Indicate if the individual or any of the partners have previously been:

(1) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings.

(2) officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with the company, give reason why not.

9. If incorporated, please give:

- (a) Proof from the Florida Secretary of State that the applicant has authority to operate in Florida.

See: Attachment I

- (b) Name and address of the company's Florida registered agent.

Corporation Service Company  
1201 Hayes Street  
Tallahassee, FL 32301

- (c) Provide proof of compliance with the fictitious name statute (Chapter 865.09 FS), if applicable.

Fictitious name registration number: n/a

- (d) Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

- (1) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings.

No officer, director or stockholder of the company has been adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime. No officer, director or stockholder of the company are involved in proceedings which may result in such action.

- (2) officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with the company, give reason why not.

No officer, director, partner or stockholder of the company is an officer, director or stockholder in any other Florida certificated telephone company.

10. Who will serve as liaison with the Commission in regard to (please give name, title, address and telephone number):

(a) The application:

Nanci Adler  
Consultant to Cincinnati Bell Long Distance  
Technologies Management, Inc.  
P.O. Drawer 200  
Winter Park, FL 32790-0200  
(407) 740-8575  
(FAX) 740-0613

(b) Official Point of Contact for the ongoing operations of the company:

Bernie Moore  
Cincinnati Bell Long Distance, Inc.  
36 East Seventh Street  
Suite 2200  
Cincinnati, Ohio 45202  
  
(513) 369-2100

(c) Tariff:

Nanci Adler  
Consultant to Cincinnati Bell Long Distance  
Technologies Management, Inc.  
P.O. Drawer 200  
Winter Park, FL 32790-0200  
(407) 740-8575

(d) Complaints/Inquiries from customers:

Bernie Moore  
Cincinnati Bell Long Distance, Inc.  
36 East Seventh Street  
Suite 2200  
Cincinnati, Ohio 45202  
  
(513) 369-2100

11. List the states in which the applicant:

- (a) Has operated as an interexchange carrier.  
Ohio, Kentucky, Indiana, Michigan, Pennsylvania, Tennessee
- (b) Has applications pending to be certificated as an interexchange carrier.  
None
- (c) Is certificated to operate as an interexchange carrier.  
Ohio, Kentucky, Indiana, Pennsylvania, Tennessee  
(Michigan does not require certification)
- (d) Has been denied authority to operate as an interexchange carrier and the circumstances involved.  
None
- (e) Has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.  
None
- (f) Has been involved in civil court proceedings with an interexchange carrier, local exchange carrier or other telecommunications entity, and the circumstances involved.  
None

12. What services will the applicant offer to other certified telephone companies:

- Facilities
- Billing and Collection
- Maintenance
- Other: \_\_\_\_\_
- Operators
- Sales

13. Do you have a marketing program?

Yes.

14. Will your marketing program:

- Pay commissions?
- Offer sales franchises?
- Offer multi-level sales incentives?
- Offer other sales incentives?



15. Explain any of the offers checked in question 13 (to whom, what amount, type of franchise, etc.).

Commissions may be paid to sales representatives based on sales performance.

16. Who will receive the bills for your service (check all that apply)?

- |                                                                                                  |                                                          |
|--------------------------------------------------------------------------------------------------|----------------------------------------------------------|
| <input checked="" type="checkbox"/> Residential customers                                        | <input checked="" type="checkbox"/> Business customers   |
| <input type="checkbox"/> PATS providers                                                          | <input type="checkbox"/> PATS station end-users          |
| <input type="checkbox"/> Hotels & motels                                                         | <input checked="" type="checkbox"/> Hotel & motel guests |
| <input type="checkbox"/> Universities                                                            | <input type="checkbox"/> Univ. dormitory residents       |
| <input checked="" type="checkbox"/> Other:(specify) <u>Anyone who uses the company's service</u> |                                                          |

17. Please provide the following (if applicable):

- (a) Will the name of your company appear on the bill for your services, and if not, who will the billed party contact to ask questions about the bill (provide name and phone number) and how is this information provided?

Yes, Cincinnati Bell Long Distance's name will appear on customer bills along with a telephone number for billing inquiries. The company's toll-free number is 800-735-3030.

- (b) The name and address of the firm who will bill for your service.

Cincinnati Bell Long Distance handles its own billing functions.

18. Please submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.485 (example enclosed).

See Attachment II.

19. The applicant will provide the following interexchange carrier services (Check all that apply):

- MTS with distance sensitive per minute rates
  - Method of access is FCA
  - Method of access is FGB
  - Method of access is FGD
  - Method of access is 800
- MTS with route specific rates per minute
  - Method of access is FGA
  - Method of access is FGB
  - Method of access is FGD
  - Method of access is 800
- MTS with statewide flat rates per minute (i.e. not distance sensitive)
  - Method of access is FGA
  - Method of access is FGB
  - Method of access is FGD
  - Method of access is 800
- MTS for pay telephone service providers.
- Block of time calling plan (Reach Out Florida, Ring America, etc.)
- 800 Service (toll free)
- WATS type service (Bulk or volume discount)
  - Method of access is via dedicated facilities
  - Method of access is via switched facilities
- Private line services (Channel Services)  
(For ex. 1.544 mbps, DS-3, etc.)
- Travel service
  - Method of access is 950
  - Method of access is 800
- 900 service
- Operator Services
  - Available to presubscribed customers
  - Available to non presubscribed customers (for example, patrons of hotels, students in universities, patients in hospitals.
  - Available to inmates
- Services included are:
  - Station assistance
  - Person to person assistance
  - Directory assistance
  - Operator verify and interrupt
  - Conference calling

20. What does the end user dial for each of the interexchange carrier services that were checked in services that were checked in services included (above).

For direct dialed calls: 1 + destination number

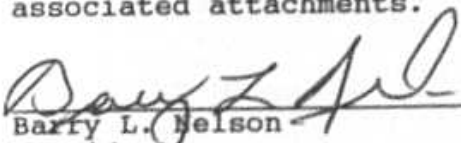
For 800 calls: 1+ subscriber's 800 telephone number

For travel service calls: an 800 access number, plus identification number, plus the destination telephone number.

21. Other:

APPLICANT ACKNOWLEDGMENT STATEMENT

1. REGULATORY ASSESSMENT FEE: I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of its gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of \$50 is required.
2. GROSS RECEIPTS TAX: I understand that all telephone companies must pay a gross receipts tax of one and one-half percent, or currently applicable rates, on all intra and interstate business.
3. SALES TAX: I understand that a seven percent sales tax, or other currently applicable percentage, must be paid on intra and interstate revenues.
4. APPLICATION FEE: A non-refundable application fee of \$250.00 must be submitted with the application.
5. LEC BYPASS RESTRICTIONS: I acknowledge the Commission's policy that interexchange carriers shall not construct facilities to bypass the LECs without first demonstrating to the Commission that the LEC cannot offer the needed facilities at a competitive price and in a timely manner.
6. RECEIPT AND UNDERSTANDING OF RULES: I acknowledge receipt and understanding of the Florida Public Service Commission's Rules and Orders relating to my provision of interexchange telephone service in Florida. I also understand that it is my responsibility to comply with all current and future Commission requirements regarding interexchange telephone service.
7. ACCURACY OF APPLICATION: By my signature below, I attest to the accuracy of the information contained in this application and associated attachments.

  
\_\_\_\_\_  
Barry L. Nelson  
President  
Cincinnati Bell Long Distance

5/13/86  
Date

APPENDICES

- A - Certificate of Transfer Statement
- B - Customer deposits and advance payments
- C - Intrastate network
- D - Florida telephone exchanges and EAS routes
- E - Glossary

ATTACHMENTS:

- I - Florida Secretary of State Registration
- II - Proposed Tariff

APPENDIX A

CERTIFICATE OF TRANSFER STATEMENT

I, \_\_\_\_\_, current holder of certificate number \_\_\_\_\_, have reviewed this application and join in the petitioner's request.

**Not Applicable.**

\_\_\_\_\_  
Signature of owner or chief officer of the certificate holder.

Title: \_\_\_\_\_

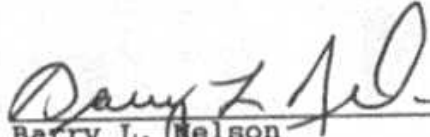
Date: \_\_\_\_\_

APPENDIX B

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

A statement of how the Commission can be assured of the security of the customer's deposits and advance payments may be responded to in one of the following ways (applicant please check one):

- (X) The applicant will not collect deposits nor will it collect payments for service more than one month in advance.
- ( ) The applicant will file with the Commission and maintain a surety bond in an amount equal to the current balance of deposits and advance payments in excess of one month. (Bond must accompany application.)



Barry L. Nelson  
President  
Cincinnati Bell Long Distance

Date: 5/13/91

APPENDIX C

INTRASTATE NETWORK

1. POP: Addresses where located, and indicate if owned or leased.

1) None. 2)

3) 4)

2. SWITCHES: Address where located, by type of switch and indicate if owned or leased.

1) Dayton, Ohio 2) South Bend, Indiana  
DEX-400 digital switch DEX-400 digital switch

3) 4)

3. TRANSMISSION FACILITIES: POP-to-POP facilities by type of facilities (microwave, fiber copper, satellite, etc.) and indicate if owned or leased.

| <u>POP-to-POP</u> | <u>TYPE</u> | <u>OWNERSHIP</u> |
|-------------------|-------------|------------------|
| 1) None           |             |                  |
| 2)                |             |                  |
| 3)                |             |                  |

4. **ORIGINATING SERVICE:** Please provide the list of exchanges where you are proposing to provide originating service within thirty (30) days after the effective date of the certificate. (Appendix D)

Statewide.

5. **TRAFFIC RESTRICTIONS:** Please explain how the applicant will comply with the EAEA requirements contained in Commission Rule 25-24.471 (4)(a) (copy enclosed).

Not applicable.

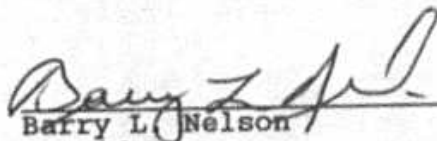
6. **CURRENT FLORIDA INTRASTATE SERVICES:** Applicant has ( ) or has not (X) previously provided intrastate telecommunications in Florida. If the answer is has, fully describe the following:

- (a) What services have been provided and when did these service begin?

Not applicable.

- (b) If the services are not currently offered, when were they discontinued?

Not applicable.



Barry L. Nelson  
President  
Cincinnati Bell Long Distance

5/13/86  
Date



APPENDIX D

FLORIDA TELEPHONE EXCHANGES AND EAS ROUTES

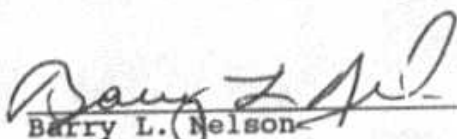
Describe the service area in which you hold yourself out to provide service by telephone company exchange. If all services listed in your tariff are not offered at all locations, so indicate.

In an effort to assist you, attached is a list of major exchanges in Florida showing the small exchanges with which each has extended area service (EAS).

Jacksonville  
Gainesville  
Daytona Beach  
Ocala  
Orlando  
Cocoa  
Melbourne  
West Palm Beach  
Miami  
Pensacola  
Panama City  
Tallahassee  
Titusville

Tampa  
Clearwater  
St. Petersburg  
Lakeland  
Winter Park  
Ft. Lauderdale  
Pompano Beach  
Hollywood  
North Dade  
Sarasota  
Ft. Myers  
Naples

Cincinnati Bell Long Distance intends to offer service throughout the State of Florida.



Barry L. Nelson  
President  
Cincinnati Bell Long Distance

5/13/81  
Date

ATTACHMENT I

AUTHORITY TO OPERATE IN FLORIDA



FLORIDA DEPARTMENT OF STATE  
Sandra B. Mortham  
Secretary of State

May 10, 1995

UCC FILING & SEARCH SERVICES

Qualification documents for CINCINNATI BELL LONG DISTANCE, INC. were filed on May 10, 1995, and assigned document number F9500002299. Please refer to this number whenever corresponding with this office.

Your corporation is now qualified and authorized to transact business in Florida as of the file date.

A corporation annual report will be due this office between January 1 and May 1 of the year following the calendar year of the file date. A Federal Employer Identification (FEI) number will be required before this report can be filed. If you do not already have an FEI number, please apply NOW with the Internal Revenue by calling 1-800-829-3676 and requesting form SS-4.

Please be aware if the corporate address changes, it is the responsibility of the corporation to notify this office.

Should you have any questions regarding this matter, please telephone (904) 487-6091, the Foreign Qualification/Tax Lien Section.

Michael Mays  
Corporate Specialist  
Division of Corporations

Letter Number: 795A00023705

Division of Corporations - P.O. BOX 6327 -Tallahassee, Florida 32314

## APPLICATION BY FOREIGN CORPORATION FOR AUTHORIZATION TO TRANSACTION BUSINESS IN FLORIDA

**IN COMPLIANCE WITH SECTION 607.1803, FLORIDA STATUTES, THE FOLLOWING IS  
SUBMITTED TO REGISTER A FOREIGN CORPORATION TO TRANSACTION BUSINESS IN THE  
STATE OF FLORIDA:**

1. Cincinnati Bell Long Distance, Inc.  
(Name of corporation must include the word "INCORPORATED," "COMPANY," "CORPORATION" or words or abbreviations of like import in language as will clearly indicate that it is a corporation instead of a natural person or partnership if not so contained in the name at present.)

2. Ohio  
(State or country under the law of which it is incorporated)

3. 31-1111284  
(FEI number, if applicable)

4. April 10, 1984  
(Date of incorporation)

5. Perpetual  
(Duration: Year corp. will cease to exist or "perpetual")

6. Long Distance  
(Date first transacted business in Florida. (See sections 607.1801, 607.1802, and 617.105, F.S.)

7. 36 E. Seventh Street, Suite 2200  
Cincinnati, OH 45202  
(Current mailing address)

8. Long distance telecommunication services  
(Purpose(s) of corporation authorized in home state or country to be carried out in the state of Florida)

9. Name and street address of Florida registered agent:

Name: Corporation Service Company

Office Address: 1201 Hayes Street

Tallahassee, Florida, 32301  
(Zip Code)

10. Registered agent's acceptance:

*Having been named as registered agent and to accept service of process for the above stated corporation at the place designated in this application, I hereby accept the appointment as registered agent and agree to act in this capacity. I further agree to comply with the provisions of all statutes relative to the proper and complete performance of my duties, and I am familiar with and accept the obligations of my position as registered agent.*

Vicki Ivey  
(Registered agent's signature)  
Vicki Ivey, Authorized Signatory

11. Attached is a certificate of existence duly authenticated, not more than 90 days prior to delivery of this application to the Department of State, by the Secretary of State or other official having custody of corporate records in the jurisdiction under the law of which it is incorporated.

RECEIVED STATE  
 CORPORATIONS  
 APR 10 PM 12:52

12. Names and addresses of officers and/or directors:

A. DIRECTORS

Chairman: \_\_\_\_\_

Address: \_\_\_\_\_

Vice Chairman: \_\_\_\_\_

Address: \_\_\_\_\_

Director: J. T. LaMachia

Address: 36 E. Seventh Street, Ste 2200  
Cincinnati, OH 45202

Director: Barry L. Nelson

Address: 36 E. Seventh Street, Ste 2200  
Cincinnati, OH 45202

B. OFFICERS

President: Barry L. Nelson

Address: 36 E. Seventh Street, Ste 2200  
Cincinnati, OH 45202

Vice President: Thomas B. Kramer

Address: 36 E. Seventh Street, Ste 2200  
Cincinnati, OH 45202

Secretary: Thomas B. Kramer

Address: 36 E. Seventh Street, Ste 2200  
Cincinnati, OH 45202

Treasurer: Thomas B. Kramer

Address: 36 E. Seventh Street, Ste 2200  
Cincinnati, OH 45202

NOTE: If necessary, you may attach an addendum to the application listing additional officers and/or directors.

13. Barry L. Nelson  
(Signature of Chairman, Vice Chairman, or any officer listed in number 12 of the application)

14. Barry L. Nelson, President  
(Typed or printed name and capacity of person signing application)

RECEIVED  
SECRETARY OF STATE  
DIVISION OF CORPORATIONS  
MAY 10 10 11:52

ATTACHMENT II

PROPOSED TARIFF

TITLE Sheet

FLORIDA TELECOMMUNICATIONS TARIFF  
OF  
CINCINNATI BELL LONG DISTANCE, INC.

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of resold telecommunication services provided by Cincinnati Bell Long Distance, Inc. ("CBLD") with principal offices located at 36 East Seventh Street, Suite 2200, Cincinnati, Ohio 45202-4459. This tariff applies for services furnished within the State of Florida. This tariff is on file with the Florida Public Service Commission, and copies may be inspected, during normal business hours, at the Company's principal place of business.

---

Issued: May 15, 1996

Effective:

ISSUED BY: Barry Nelson, President  
36 East Seventh Street, Suite 2200  
Cincinnati, Ohio 45202

## CHECK SHEET

This tariff contains the sheets listed below, each of which is effective as of the date shown on each sheet. Original and revised pages as named below comprise all changes from the original tariff.

| SHEET | REVISION | LEVEL | SHEET | REVISION | LEVEL |
|-------|----------|-------|-------|----------|-------|
| Title | Original | *     | 26    | Original | *     |
| 1     | Original | *     | 27    | Original | *     |
| 2     | Original | *     | 28    | Original | *     |
| 3     | Original | *     | 29    | Original | *     |
| 4     | Original | *     | 30    | Original | *     |
| 5     | Original | *     | 31    | Original | *     |
| 6     | Original | *     | 32    | Original | *     |
| 7     | Original | *     | 33    | Original | *     |
| 8     | Original | *     | 34    | Original | *     |
| 9     | Original | *     | 35    | Original | *     |
| 10    | Original | *     | 36    | Original | *     |
| 11    | Original | *     | 37    | Original | *     |
| 12    | Original | *     |       |          |       |
| 13    | Original | *     |       |          |       |
| 14    | Original | *     |       |          |       |
| 15    | Original | *     |       |          |       |
| 16    | Original | *     |       |          |       |
| 17    | Original | *     |       |          |       |
| 18    | Original | *     |       |          |       |
| 19    | Original | *     |       |          |       |
| 20    | Original | *     |       |          |       |
| 21    | Original | *     |       |          |       |
| 22    | Original | *     |       |          |       |
| 23    | Original | *     |       |          |       |
| 24    | Original | *     |       |          |       |
| 25    | Original | *     |       |          |       |

\* indicates new or revised sheet with this filing

Issued: May 15, 1996

Effective:

ISSUED BY: Barry Nelson, President  
36 East Seventh Street, Suite 2200  
Cincinnati, Ohio 45202



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Issued: May 15, 1996

Effective:

ISSUED BY: Barry Nelson, President  
36 East Seventh Street, Suite 2200  
Cincinnati, Ohio 45202

**SYMBOLS**

The following are the only symbols used for the purposes indicated below:

- D - Delete or Discontinue
- I - Change Resulting in an Increase to a Customer's Bill
- M - Moved from another Tariff Location
- N - New
- R - Change Resulting in a Reduction to a Customer's Bill
- T - Change in Text or Regulation but no Change in Rate or Charge.

When changes are made in any tariff sheet, a revised sheet will be issued canceling the tariff sheet affected. Changes will be identified on the revised sheet(s) through the use of the above mentioned symbols.

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Issued: May 15, 1996

Effective:

ISSUED BY: Barry Nelson, President  
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**TARIFF FORMAT**

**A. Sheet Numbering** - Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.

**B. Sheet Revision Numbers** - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet version on file with the FPSC. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc. the FPSC follows in their tariff approval process, the most current sheet number on file with the Commission is not always the tariff pages in effect. Consult the check sheet for sheet currently in effect.

**C. Paragraph Numbering Sequence** - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

- 2.
- 2.1.
- 2.1.1.
- 2.1.1.A.
- 2.1.1.A.1.
- 2.1.1.A.1.(a).
- 2.1.1.A.1.(a).I.

**D. Check Sheets** - When a tariff filing is made with the FPSC, an updated check sheet accompanies the tariff filing. The check sheet lists the sheets contained in the tariff, with a cross reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (\*). There will be no other symbols used on the check sheet if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some pages). The tariff user should refer to the latest check sheet to find out if a particular sheet is the most current on file with the FPSC.

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Issued: May 15, 1996

Effective:

ISSUED BY:

Barry Nelson, President  
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**SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS**

**Access Line** - A local channel for voice, data, or video communications which connects the Customer location to a location of the Company.

**Account** - The Customer who has agreed, verbally or by signature, to honor the terms of service established by the Company. An account may have more than one access code billed to the same Customer address.

**Authorization Code** - A pre-defined series of numbers to be dialed by the Customer or End User upon access to the Company's system to notify the caller and validate the caller's authorization to use the services provided. The Customer is responsible for charges incurred through the use of his or her assigned Authorization Code.

**CBLD** - Refers to Cincinnati Bell Long Distance, Inc.

**Collect** - A billing arrangement whereby the originating caller may bill the charges for a call to the called party, provided the called party agrees to accept responsibility for the charges.

**Company** - Cincinnati Bell Long Distance, Inc., unless stated otherwise.

**Company's Point of Presence** - Location of the serving central office associated with access to the Company's network.

**Customer** - Any person, firm, partnership, corporation or other entity which uses service under the terms and conditions of this tariff and is responsible for the payment of charges.

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Issued: May 15, 1996

Effective:

ISSUED BY: Barry Nelson, President  
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**SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS, (CONT'D.)**

**Customer Dialed Calling Card Call** - A service whereby the End User dials all of the digits necessary to route and bill the call to a calling card.

**Dedicated Access** - A method of reaching the Company's services whereby the Customer is connected directly to the Company's Point of Presence without utilizing services of the local switched network.

**End User** - Any person, firm, partnership, corporation or other entity which uses the service of the Company under the terms and conditions of this tariff. The End User is responsible for payment unless the charges for the service utilized are paid by the Customer.

**Equal Access** - A form of dialed access provided by local exchange companies whereby interexchange calls dialed by the Customer are automatically routed to the Company's network. Presubscribed Customers may also route interexchange calls to the Company's network by dialing an access code supplied by the Company.

**FPSC** - Florida Public Service Commission

**Holidays** - New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

**LATA** - Local Area of Transport and Access

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Issued: May 15, 1996

Effective:

ISSUED BY: Barry Nelson, President  
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**SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS, (CONT'D.)**

**Operator Dialed Surcharge** - This charge applies on operator assisted calls in addition to any other applicable service charge when the caller has the capability of dialing the destination telephone number, but chooses to have the operator dial the number instead.

**Operator Station Call** - A service whereby the originating Customer uses the assistance of an operator to place or bill the call. Calls may be billed collect or to a telephone company issued Calling Card, to an authorized commercial Credit Card, or to a Third Party are Operator Station Calls. This category does not include calls placed on a Person-to-Person basis.

**Person-to-Person Call** - A service whereby the person originating the call specifies to the Company operator a particular person to be reached, a particular mobile station, a particular station, room number, department, or office to be reached through a PBX attendant.

**Switched Access** - A method for reaching the Company through the local switched network whereby the End User uses standard business or residential local lines.

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Issued: May 15, 1996

Effective:

ISSUED BY: Barry Nelson, President  
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**SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS, (CONT'D.)**

**Terminal Equipment** - Telecommunications devices, apparatus and associated wiring on the Premises of the Customer.

**Third Party Billing** - A billing arrangement by which the charges for a call may be billed to a telephone number that is different from the calling number and the called number.

**Travel Card** - A billing mechanism which enables the Customer to access the service of the Company while away from home or office.

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Issued: May 15, 1996

Effective:

ISSUED BY: Barry Nelson, President  
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**SECTION 2 - RULES AND REGULATIONS****2.1 Undertaking of Cincinnati Bell Long Distance, Inc.**

CBLD's services and facilities are furnished for communications originating at specified points within the state of Florida under terms of this tariff.

CBLD installs, operates, and maintains the communications services provided hereinunder in accordance with the terms and conditions set forth under this tariff. CBLD may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities, when authorized by the Customer, to allow connection of a Customer's location to the CBLD network. The Customer shall be responsible for all charges due for such service arrangement.

The Company's services and facilities are provided on a monthly basis unless otherwise provided, and are available twenty-four hours per day, seven days per week.

**2.2 Limitations**

- 2.2.1 Service is offered subject to the availability of the necessary facilities and equipment, and subject to the provisions of this tariff.
- 2.2.2 CBLD reserves the right to discontinue or limit service when necessitated by conditions beyond its control, or when the Customer is using service in violation of provisions of this tariff, or in violation of the law.
- 2.2.3 The Company does not undertake to transmit messages, but offers the use of its facilities when available, and will not be liable for errors in transmission or for failure to establish connections.

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Issued: May 15, 1996

Effective:

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**SECTION 2 - RULES AND REGULATIONS, (CONT'D.)****2.2 Limitations, (Cont'd.)**

- 2.2.4** All facilities provided under this tariff are directly or indirectly controlled by CBLD and the Customer may not transfer or assign the use of service or facilities without the express written consent of the Company. Such transfer or assignment shall only apply where there is no interruption of the use or location of the service or facilities.
- 2.2.5** Prior written permission from the Company is required before any assignment or transfer. All regulations and conditions contained in this tariff shall apply to all such permitted assignees or transferees, as well as all conditions of service.
- 2.2.6** CBLD reserves the right to discontinue the offering of service or deny an application for service if a change in regulation materially and negatively impacts the financial viability of the service in the best business judgment of the Company.

**2.3 Use**

Services provided under this tariff may be used for any lawful purpose for which the service is technically suited.

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**Issued: May 15, 1996****Effective:**

**ISSUED BY:** Barry Nelson, President  
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**SECTION 2 - RULES AND REGULATIONS, (CONT'D.)****2.4 Liabilities of the Company**

- 2.4.1 CBLD's liability for damages arising out of mistakes, interruptions, omissions, delays, errors, or defects in transmission which occur in the course of furnishing service or facilities, in no event shall exceed an amount equivalent to the proportionate charge to the Customer for the period during which the faults in transmission occur.
- 2.4.2 The Company shall not be liable for claim or loss, expense or damage (including indirect, special or consequential damage), for any interruption, delay, error, omission, or defect in any service, facility or transmission provided under this tariff, if caused by any person or entity other than the Company, by any malfunction of any service or facility provided by any other carrier, by an act of God, fire, war, civil disturbance, or act of government, or by any other cause beyond the Company's direct control.
- 2.4.3 The Company shall not be liable for, and shall be fully indemnified and held harmless by Customer against any claim or loss, expense, or damage (including indirect, special or consequential damage) for defamation, libel, slander, invasion, infringement of copy-right or patent, unauthorized use of any trademark, tradename or service mark, unfair competition, interference with or misappropriation or violation of any contract, proprietary or creative right, or any other injury to any person, property or entity arising out of the material, data, information, or other content revealed to , transmitted, or used by the Company under this tariff; or for any act or omission of the Customer; or for any personal injury or death of any person caused directly or indirectly by the installation, maintenance, location, condition, operation, failure, presence, use or removal of equipment or wiring provided by the Company, if not directly caused by negligence of the Company.

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Issued: May 15, 1996

Effective:

ISSUED BY: Barry Nelson, President  
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SECTION 2 - RULES AND REGULATIONS, (CONT'D.)

2.4 Liabilities of Company, (Cont'd.)

- 2.4.4 The Company shall not be liable for any defacement of or damages to the premises of a Customer resulting from the furnishing of service which is not the direct result of the Company's negligence.

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Issued: May 15, 1996

Effective:

ISSUED BY:

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**SECTION 2 - RULES AND REGULATIONS, (CONT'D.)****2.5 Deposits**

The Company does not require a deposit from the Customer.

**2.6 Advance Payments**

The Company reserves the right to require an advance payment from a Customer. The advance payment shall be in amount equal to or less than one (1) months' estimated billing. This amount will be applied against the next month's charges and a new advance payment may be collected for the next month.

**2.7 Taxes**

All state and local taxes (i.e., gross receipts tax, sales tax, municipal utilities tax) are listed as separate line items and are not included in the quoted rates.

**2.8 Terminal Equipment**

The Company's facilities and service may be used with or terminated in Customer-provided terminal equipment or Customer-provided communications systems, such as a telephone set, PBX or key system. Such terminal equipment shall be furnished and maintained at the expense of the Customer, except as otherwise provided. The Customer is responsible for all costs at his or her premises, including personnel, wiring, electrical power, and the like, incurred in the use of the Company's service. When such terminal equipment is used, the equipment shall comply with the generally accepted minimum protective criteria standards of the telecommunications industry as endorsed by the Federal Communications Commission.

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Issued: May 15, 1996

Effective:

ISSUED BY: Barry Nelson, President  
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**SECTION 2 - RULES AND REGULATIONS, (CONT'D.)****2.9 Payment for Service**

The Customer is responsible for payment of all charges for services and equipment furnished to the Customer for transmission of calls via the Company. The Customer agrees to pay to the Company any cost(s) incurred as a result of any delegation of authority resulting in the use of his or her communications equipment and/or network services which result in the placement of calls via the Company. The Customer agrees to pay the Company or its authorized agent any and all cost(s) incurred as a result of the use of the service arrangement, including calls which the Customer did not individually authorize.

All charges due by the Customer are payable to the Company or any agency duly authorized to receive such payments. The billing agency may be the Company, a local exchange telephone company, credit card company, or other billing service. Terms of payment shall be according to the rules and regulations of the agency and subject to the rules of regulatory agencies having jurisdiction. Any objections to billed charges must be promptly reported to the Company or its billing agent. Adjustments to Customers' bills shall be made to the extent that circumstances exist which reasonably indicate that such changes are appropriate. If notice of disputed charges is not received within thirty days after an invoice is issued, the invoice shall be considered correct and binding on the customer.

Charges for installations, service connections, moves, and rearrangements, where applicable, are payable upon demand by the Company or its authorized agent. The billing thereafter will include recurring charges and actual usage as defined in this tariff.

Payment is within thirty (30) days subsequent to the invoice date and are considered past after the thirty day period. A late payment charge of 1.5% applies to all overdue balances.

If payment is posted to the account in full on or before the 20th day subsequent to the invoice date, a 2% credit will be applied to the customer's account as of the next month's billing date.

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**Issued: May 15, 1996****Effective:**

**ISSUED BY:** Barry Nelson, President  
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**SECTION 2 - RULES AND REGULATIONS, (CONT'D.)**

**2.10 Installation and Termination**

Service is installed upon mutual agreement between the Customer and the Company. The service agreement does not alter rates specified in this tariff.

**2.11 Cancellation by Customer**

Customer may cancel service by providing 30 days written notice to the Company.

**2.12 Interconnection**

Service furnished by CBLD may be connected with the services or facilities of other carriers. Such service or facilities, if used, are provided under the terms, rates and conditions of the other carrier. The Customer is responsible for all charges billed by other carriers for use in connection with CBLD's service. Any special interface equipment or facilities necessary to achieve compatibility between carriers is the responsibility of the Customer.

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Issued: May 15, 1996

Effective:

ISSUED BY: Barry Nelson, President  
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**SECTION 2 - RULES AND REGULATIONS, (CONT'D.)****2.13 Refusal or Discontinuance by Company**

**2.13.1** Service may be suspended by the Company, without notice to the Customer, by blocking traffic to certain cities or NXX exchanges, or by blocking calls using certain Customer travel cards when the Company deems it necessary to take such action to prevent unlawful use of its service. CBLD will restore services as soon as it can be provided without undue risk, and will upon request by the Customer, assign new travel card codes to replace ones that have been deactivated.

**2.13.2** CBLD may refuse or discontinue service under the following conditions provided that, unless otherwise stated, the Customer shall be given 15 days notice to comply with any rule or remedy any deficiency:

- (A) For non-compliance with or violation of any State, municipal, or Federal law, ordinance or regulation pertaining to telephone service.
- (B) For use of telephone service for any purpose other than that described in the application.
- (C) For neglect or refusal to provide reasonable access to CBLD or its agents for the purpose of inspection and maintenance of equipment owned by CBLD or its agents.
- (D) For noncompliance with or violation of Commission regulation or rules and regulations on file with the Commission, provided five (5) working days' written notice is given before termination.

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Issued: May 15, 1996

Effective:

ISSUED BY: Barry Nelson, President  
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**SECTION 2 - RULES AND REGULATIONS, (CONT'D.)****2.13 Refusal or Discontinuance by Company, (cont'd.)**

- (E) For nonpayment of bills, provided that suspension or termination of service shall not be made without five (5) days written notice to the Customer, except in extreme cases. Such notice will be provided in a mailing separate from the customer's regular monthly bill for service.
- (F) Without notice in the event of Customer or Authorized User use of equipment in such a manner as to adversely affect CBLD's equipment or service to others.
- (G) Without notice in the event of tampering with the equipment or services owned by CBLD or its agents.
- (H) Without notice in the event of unauthorized or fraudulent use of service. Whenever service is discontinued for fraudulent use of service, CBLD may, before restoring service, require the Customer to make, at his or her own expense, all changes in facilities or equipment necessary to eliminate illegal use and to pay an amount reasonably estimated as the loss in revenues resulting from such fraudulent use.
- (I) Without notice by reason of any order or decision of a court or other government authority having jurisdiction which prohibits Company from furnishing such services.
- (J) For periods of inactivity over sixty (60) days.

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Issued: May 15, 1996

Effective:

ISSUED BY: Barry Nelson, President  
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**SECTION 2 - RULES AND REGULATIONS, (CONT'D.)**

**2.14 Credit Allowances for Interruption of Service**

Credit allowances for interruptions of service caused by service outages or deficiencies are limited to the initial minimum period call charges for re-establishing the interrupted call.

**2.15 Inspection, Testing and Adjustment**

Upon reasonable notice, the facilities provided by the Company shall be made available to the Company for tests and adjustments as may be deemed necessary by the Company for maintenance. No interruption allowance will be granted for the time during which such tests and adjustments are made.

**2.16 Tests, Pilots, Promotional Campaigns and Contests**

The Company may conduct special tests, pilot programs, waivers and promotions at its discretion to demonstrate the ease of use, quality of service and to promote the sale of its services.

**2.17 Cost of Collection and Repair**

The Customer is responsible for any and all costs incurred in the collection of monies due the Company, including legal and accounting expenses. Customer is also responsible for recovery costs of Company-provided equipment and any expenses required for repair or replacement of damaged equipment.

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Issued: May 15, 1996

Effective:

ISSUED BY: Barry Nelson, President  
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**SECTION 2 - RULES AND REGULATIONS, (CONT'D.)****2.18 Toll-free "800/888" Numbers**

The company will make every effort to reserve "800/888" vanity numbers on behalf of Customers, but makes no guarantee or warrantee that the requested "800/888" number(s) will be available or assigned to the Customer requesting the number.

If a Customer accumulates undisputed past-due charges, the Company reserves the right not to honor the Customer's request for a change in 800/888 service to another carrier (i.e. "porting" of the 800/888 number), including a request for a Responsible Organization (Resp Org) change, until such charges are paid in full.

**2.19 PIC Change Credits**

Upon request by the Customer, the Company will credit Customers' accounts an amount equal to the charges incurred for the conversion of line(s) to the Company's service as imposed by the local exchange carrier for Primary Interexchange Carrier (PIC) changes. This credit will be applied for up to a maximum of ten (10) lines. This credit will be applied against future charges associated with use of the Company's service.

**2.20 Return Check Charge**

A return check charge of \$15.00 will be assessed for checks returned for insufficient funds, closed account, apparent tampering, missing signature or endorsement, or any other insufficiency or discrepancy necessitating return of the check at the discretion of the drawee bank.

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**Issued: May 15, 1996****Effective:**

**ISSUED BY:** Barry Nelson, President  
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**SECTION 2 - RULES AND REGULATIONS, (CONT'D.)**

**2.21 Agents of the Company**

Agents of the Company must meet the company's standards to ensure quality of service and marketing representation. Agents may be required to meet training specifications or other standards imposed by the company.

**2.22 Tests, Pilots, Promotional Campaigns and Contests**

The Company may conduct special tests or pilot programs and promotions at its discretion to demonstrate the ease of use, quality of service and to promote the sale of its services. The Company may also waive a portion or all processing fees or installation fees for winner of contests and other occasional promotional events sponsored or endorsed by the Company. From time to time the Company may waive all processing fees for a Customer. Such promotions will be filed in the Company's tariff.

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Issued: May 15, 1996

Effective:

ISSUED BY: Barry Nelson, President  
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**SECTION 3 - DESCRIPTION OF SERVICE & RATES**

**3.1 Quality and Grade of Service Offered**

Minimum Call Completion Rate - Customers can expect a call completion rate of not less than 95% during peak use periods for Feature Group D 1+ dialing. The call completion rate is calculated as the number of calls completed (including calls completed to a busy line or to a line which remains unanswered by the called party) divided by the number of calls attempted.

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Issued: May 15, 1996

Effective:

ISSUED BY: Barry Nelson, President  
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**SECTION 3 - DESCRIPTION OF SERVICE, (CONT'D.)****3.2 Calculation of Distance**

Usage charges for mileage sensitive services vary based on the type of service subscribed to by the Customer. For services utilizing switched access, mileage measurements for rate schedules are based on the distance in airline miles between rate centers associated with the originating and terminating stations. For services utilizing dedicated access, mileage measurements for rate schedules are based on the distance in airline miles between the CBLD network access point associated with the station utilizing Dedicated Access Origination/Termination and the rate center associated with the called/calling station.

The distance between the originating and terminating points is calculated by using the "V" and "H" coordinates of the serving wire centers as defined by BellCore (Bell Communications Research), in the following manner:

- Step 1: Obtain the "V" and "H" coordinates for the serving wire center or network access point serving the Customer's location and the called/calling station.
- Step 2: Obtain the difference between the "V" coordinates. Obtain the difference between the "H" coordinates.
- Step 3: Square the differences obtained in Step 2.
- Step 4: Add the squares of the "V" difference and "H" difference obtained in Step 3.
- Step 5: Divide the sum of the square obtained in Step 4 by ten (10). Round to the next higher whole number if any fraction results from the division.
- Step 6: Obtain the square root of the whole number obtained in Step 5. Round to the next higher whole number if any fraction is obtained. This is the distance between the originating and terminating locations of the call.

Formula:

$$\sqrt{\frac{(V_1 - V_2)^2 + (H_1 - H_2)^2}{10}}$$

Issued: May 15, 1996

Effective:

ISSUED BY: Barry Nelson, President  
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## SECTION 3 - DESCRIPTION OF SERVICE, (CONT'D.)

## 3.2 Calculation of Distance, (cont'd.)

EXAMPLE: Distance between Miami and New York City -

|                   | V                                 | H            |
|-------------------|-----------------------------------|--------------|
| Miami:            | 8,351                             | 529          |
| New York:         | <u>4,997</u>                      | <u>1,406</u> |
| Difference:       | 3,354                             | -877         |
| Square and add:   | 11,249,316 + 769,129 = 12,018,445 |              |
| Divide by 10:     | 12,018,445 / 10 = 1,201,844.5     |              |
| Round up:         | 1,201,845                         |              |
| Take square root: | $\sqrt{1,201,845} = 1,096.3$      |              |
| Round up:         | 1,097 miles                       |              |

Issued: May 15, 1996

Effective:

ISSUED BY: Barry Nelson, President  
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**SECTION 3 - DESCRIPTION OF SERVICE, (CONT'D.)**

**3.3 Timing of Calls**

- 3.3.1 Long distance usage charges are based on usage of the Company's network. Chargeable time begins when the calling and the called station are connected (i.e. two-way communication is established).
- 3.3.2 Chargeable time ends when one party "hangs up" the telephone, thereby releasing the network connection.
- 3.3.3 The minimum call duration and call increments for billing purposes are specified on a per-product basis.
- 3.3.4 The Company shall not bill for unanswered calls.

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Issued: May 15, 1996

Effective:

ISSUED BY: Barry Nelson, President  
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**SECTION 3 - DESCRIPTION OF SERVICE, (CONT'D.)****3.4 Rate Periods**

The following time-of-day and day-of-week rate periods are applicable to all calls. Evening rates shall apply to all calls placed on the Company's recognized Holidays except when a lower rate would normally apply.

**PEAK:** Monday through Friday, 8:00 AM - 5:00 PM

**OFF-PEAK:** All other hours

Calls are billed based on the rate in effect for the actual time-of-day rate period(s) during which the call occurs. Calls that cross rate period boundaries are billed the rate in effect in that boundary for each portion of the call.

**3.5 Holidays**

On the following holidays, the Off-Peak rate applies for the entire day: New Year's Day, Fourth of July, Labor Day, Thanksgiving Day and Christmas.

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Issued: May 15, 1996

Effective:

ISSUED BY: Barry Nelson, President  
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**SECTION 3 - DESCRIPTION OF SERVICE, (CONT'D.)****3.6 Business Outbound Standard Service**

Switched 1+ Long Distance Service allows Business Customers to make direct dialed long distance calls. Customers access the service via local exchange company-provided Feature Group D switched access circuits. For billing purposes, call timing is rounded up to the nearest six (6) second increment after the initial minimum period of thirty (30) seconds.

**3.7 Business In-Bound "Toll-Free" Service**

Switched In-Bound 800 Service is a "toll-free calling" service offered to business customers. The CBLD Customer is billed for each 800/888 call, rather than the call originator. Calls terminate to the Customer over local exchange Company provided switched access circuits. For billing purposes, call timing is rounded up to the nearest six (6) second increment after the initial minimum period of thirty (30) seconds.

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**Issued: May 15, 1996****Effective:**

**ISSUED BY: Barry Nelson, President**  
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**SECTION 3 - DESCRIPTION OF SERVICE, (CONT'D.)**

**3.8 Residential Outbound Service**

Residential Outbound Service allows residential Customers to make direct dialed long distance calls. Customers access the service via local exchange company-provided Feature Group D switched access circuits. For billing purposes, call timing is rounded up to the nearest six (6) second increment after the initial minimum period of sixty (60) seconds.

**3.9 TravelMaster Select Service**

TravelMaster Select Service enables customers to use CBLD's service while away from their home or office. Customers must dial an access code in addition to an authorization number and the destination telephone number. Calls are billed in six (6) second increments with a minimum call duration of thirty (30) seconds.

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Issued: May 15, 1996

Effective:

ISSUED BY: Barry Nelson, President  
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**SECTION 3 - DESCRIPTION OF SERVICE, (CONT'D.)****3.10 Directory Assistance**

Directory Assistance is available to Customers of CBLD. A Directory Assistance charge applies to each call to the Directory Assistance Bureau. Up to two requests may be made on each call to Directory Assistance. The Directory Assistance charge applies to each call regardless of whether the Directory Assistance Bureau is able to furnish the requested telephone number.

**3.11 Debit Card/Prepaid Card Service**

The CBLD Debit Card/Prepaid Card allows customers to pay a fixed dollar amount in advance for long distance calling over CBLD's network. Customers use an "800/888" number for access from touch tone phones. Customers can place direct dial calls using the service. Cards are decremented for each minute or fractional minute of use as set forth below. As calls are placed, charges for the call are deducted on a real-time basis until the full amount of the card is exhausted. Customers will be notified in advance of the exhaustion of the card. Payment must be received by the Company or its authorized agent prior to activation of the account.

The following types of calls may not be completed using the Debit Card/Prepaid Card:

- \* calls to 700, 800, and 900 numbers
- \* calls to directory assistance
- \* operator assisted calls
- \* conference calls
- \* calls requiring time and/or charges

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**Issued: May 15, 1996****Effective:**

**ISSUED BY:** Barry Nelson, President  
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**SECTION 3 - DESCRIPTION OF SERVICE, (CONT'D.)****3.12 Association Program**

The following program is offered to qualified Association Groups for their association members. Association Groups include, but are not limited to, trade associations, professional or social associations, nonprofit groups, or other bona fide associations. Association Groups who will jointly market the company's service are required to qualify as an Agent of the Company. To qualify for this program, Association Groups must have sign a minimum of 10 members to CBLD's long distance service and bill a minimum of \$250 per month within six months of beginning service with CBLD. Service is provided to qualified Association Groups under contract. This program offers outbound direct dialing, inbound "toll-free" 800/888 service, and travel service. Calls are billed in six (6) second increments after a minimum call duration of thirty (30) seconds.

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**Issued: May 15, 1996****Effective:**

**ISSUED BY:** Barry Nelson, President  
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**SECTION 3 - DESCRIPTION OF SERVICE, (CONT'D.)****3.13 Operator Assisted Services**

The Company provides the Customer operator services where technically available on a per call service charge basis. The Company's operator services are accessible on a twenty-four (24) hour a day, seven (7) days a week basis. In addition to the usage charges, at least one per-call service charge applies.

For this service, the following time periods apply:

Day: Monday - Friday 8:00 AM - 4:59 PM  
Evening: Sunday - Friday 5:00 PM - 10:59 PM  
Night/Weekend: 11:00 PM - 7:59 AM, all days  
All day Saturday  
Sunday Midnight - 4:59 PM

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Effective:

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Cincinnati, Ohio 45202

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**SECTION 4 - RATES****4.1 Exemptions and Special Rates****4.1.1 Discounts for Hearing Impaired Customers**

A telephone toll message which is communicated using a telecommunications device for the deaf (TDD) by properly certified hearing or speech impaired persons or properly certified business establishments or individuals equipped with TDDs for communicating with hearing or speech impaired persons will receive, upon request, credit on charges for certain intrastate toll calls placed between TDDs. Discounts do not apply to surcharges or per call add-on charges for operator services when the call is placed by a method that would normally incur the surcharge.

- (a) The credit to be given on a subsequent bill for such calls placed between TDDs will be equal to applying the evening rate during business day hours and the night/weekend rate during the evening rate period.
- (b) The credit to be given on a subsequent bill for such calls placed by TDDs with the assistance of the relay center will be equal to 50% of the rate for the applicable rate period. If either the calling or called party indicates that either party is both hearing and visually impaired, the call shall be discounted 60% of the applicable rate.

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**SECTION 4 - RATES, (CONT'D)**

**4.1 Exemptions and Special Rates**

**4.1.2 Emergency Call Exemptions**

The following calls are exempted from all charges: Emergency calls to recognizable authorized civil agencies including police, fire, ambulance, bomb squad and poison control. The Company will only handle these calls if the caller dials all of the digits to route and bill the call. Credit will be given for any billed charges pursuant to this exemption on a subsequent bill after verified notification by the billed Customer within thirty (30) days of billing.

**4.1.3 Directory Assistance for Handicapped Persons**

Pursuant to FPSC rules and regulations, the Company will not charge for the first 50 phone calls made to directory assistance by handicapped customers.

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**SECTION 4 - RATES, (CONT'D)****4.2 Business Outbound Standard Service**

For billing purposes, call timing is rounded up to the nearest six (6) second increment after the initial minimum period of thirty (30) seconds.

|                  | PEAK     | OFF-PEAK |
|------------------|----------|----------|
| Rate per minute: | \$0.1600 | \$0.1600 |

**4.3 Business In-Bound "Toll-Free" Service**

For billing purposes, call timing is rounded up to the nearest six (6) second increment after the initial minimum period of thirty (30) seconds.

|                  | PEAK     | OFF-PEAK |
|------------------|----------|----------|
| Rate per minute: | \$0.1500 | \$0.1600 |

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**SECTION 4 - RATES, (CONT'D.)****4.4 Residential Outbound Service**

For billing purposes, call timing is rounded up to the nearest six (6) second increment after the initial minimum period of sixty (60) seconds.

|                  | PEAK     | OFF-PEAK |
|------------------|----------|----------|
| Rate per minute: | \$0.2500 | \$0.1300 |

**4.5 TravelMaster Select Service**

Calls are billed in six (6) second increments with a minimum call duration of thirty (30) seconds.

|                  |          |
|------------------|----------|
| Rate per minute: | \$0.2500 |
| Rate per call:   | \$0.0000 |

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**SECTION 4 - RATES, (CONT'D.)****4.6 Directory Assistance**

Directory Assistance is available to Customers of CBLD. A Directory Assistance charge applies to each call to the Directory Assistance Bureau. Up to two requests may be made on each call to Directory Assistance. The Directory Assistance charge applies to each call regardless of whether the Directory Assistance Bureau is able to furnish the requested telephone number.

Per call to Directory Assistance: \$0.65

**4.7 Debit Card/Prepaid Card Service**

|                  |        |
|------------------|--------|
| Rate per minute: | \$0.33 |
|------------------|--------|

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**SECTION 4 - RATES, (CONT'D.)****4.8 Association Program**

Calls are billed in six (6) second increments after a minimum call duration of thirty (30) seconds.

Per Minute Rate:

| Product Type    | PEAK     | OFF-PEAK |
|-----------------|----------|----------|
| Outbound        | \$0.1200 | \$0.1200 |
| Inbound 800/888 | \$0.1300 | \$0.1300 |
| TravelMaster    | \$0.2500 | \$0.2500 |

Directory assistance, per call: \$0.50

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## SECTION 4 - RATES, (CONT'D.)

## 4.9 Operator Assisted Services

## Rates

| Mileage | Day            |                   | Evening        |                   | Night/Weekend  |                   |
|---------|----------------|-------------------|----------------|-------------------|----------------|-------------------|
|         | Initial Minute | Each Add'l Minute | Initial Minute | Each Add'l Minute | Initial Minute | Each Add'l Minute |
| 1 - 10  | \$0.2000       | \$0.2000          | \$0.1500       | \$0.1500          | \$0.1200       | \$0.1200          |
| 1 - 22  | 0.2200         | 0.2200            | 0.1700         | 0.1700            | 0.1300         | 0.1300            |
| 23- 55  | 0.2500         | 0.2500            | 0.1900         | 0.1900            | 0.1400         | 0.1400            |
| 56-124  | 0.2700         | 0.2700            | 0.1900         | 0.1900            | 0.1500         | 0.1500            |
| 125-292 | 0.2800         | 0.2800            | 0.1900         | 0.1900            | 0.1600         | 0.1600            |
| 293-430 | 0.2800         | 0.2800            | 0.2000         | 0.2000            | 0.1600         | 0.1600            |
| 231     | 0.2800         | 0.2800            | 0.2100         | 0.2100            | 0.1600         | 0.1600            |

## Per Call Operator Service Charges

|                              |        |
|------------------------------|--------|
| Customer Dialed Calling Card | \$1.00 |
| Operator Dialed Calling Card | \$1.00 |
| Operator Station             |        |
| Collect                      | \$1.00 |
| Billed to Third Party        | \$1.00 |
| Person-to-Person             | \$2.50 |
| Operator Dialed Surcharge:   | \$0.75 |

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Cincinnati, Ohio 45202

**ATTACHMENT III**

**MANAGERIAL AND TECHNICAL CAPABILITIES**

CINCINNATI BELL LONG DISTANCE, INC.  
PROFILES OF KEY PERSONNEL

**Barry Nelson, President and Chief Operating Officer**

Barry Nelson joined Cincinnati Bell Long Distance in 1985 and was subsequently promoted to President in 1987. Mr. Nelson is responsible for the overall operations of the company and was instrumental in expanding the geographic scope of services. Prior to joining CBLD, Mr. Nelson held various marketing positions with Cincinnati Bell Telephone, the local exchange service subsidiary of Cincinnati Bell, Inc. Mr. Nelson is a graduate of the University of Cincinnati and Xavier University.

**Thomas B. Kramer, Senior Vice President**

Thomas Kramer is currently responsible for the company's general operations, finance, customer service, billing and information services. He joined Cincinnati Bell in 1989 and has worked for Cincinnati Bell Information Systems in addition to CBLD. Mr. Kramer held the position of Controller for General Electric's Aircraft Engine Division prior to joining CBLD. He earned a B.A. degree from Northern Kentucky University and a Masters degree from Xavier University and is a Certified Public Accountant.

**David E. Butler, Vice President of Operations**

Mr. Butler brings considerable engineering and technical expertise to CBLD. Prior to joining CBLD in 1995, Mr. Butler was employed by Frontier (formerly Allnet) in network operations and switched services for over ten years. He is currently responsible for the company's technical operations and manages a team of four technicians and six support personnel.

Profiles, continued

**Tim Shindeldecker, Vice President Corporate Planning & Analysis**

Tim Shindeldecker is a certified public accountant with twelve years of experience in the telecommunications industry. Mr. Shindeldecker joined CBLD in 1990. His previous experience includes serving for six years as the president of CTI, the long distance division of Clark Equipment. Mr. Shindeldecker earned degrees from St. Joseph College and the University of Notre Dame.

**ATTACHMENT IV**

**FINANCIAL STATEMENTS**



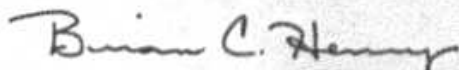
**Report of Management**

The management of Cincinnati Bell Inc. is responsible for the information and representations contained in this Annual Report. Management believes that the financial statements have been prepared in accordance with generally accepted accounting principles and that the other information in the Annual Report is consistent with those statements. In preparing the financial statements, management is required to include amounts based on estimates and judgments that it believes are reasonable under the circumstances.

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

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

The Audit Committee of the Board of Directors (see page 42), which is composed of three directors who are not employees, meets periodically with management, the internal auditors and Coopers & Lybrand L.L.P. to review their performance and responsibilities and to discuss auditing, internal accounting controls and financial reporting matters. Both the internal auditors and the independent accountants periodically meet alone with the Audit Committee and have access to the Audit Committee at any time.



Brian C. Henry  
Executive Vice President  
and Chief Financial Officer

**Report of Independent Accountants**

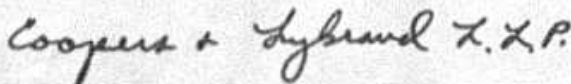
To the Shareowners of Cincinnati Bell Inc.

We have audited the accompanying consolidated balance sheets of Cincinnati Bell Inc. and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of income, common shareowners' equity and cash flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cincinnati Bell Inc. and subsidiaries as of December 31, 1995 and 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Note 2 of Notes to Financial Statements, the Company changed its method of accounting for postemployment benefits in 1994.



Cincinnati, Ohio  
February 14, 1996

## Consolidated Statements of Income

| <i>Millions of Dollars Except Per Share Amounts</i>                                                                | Year Ended December 31 | 1995             | 1994           | 1993             |
|--------------------------------------------------------------------------------------------------------------------|------------------------|------------------|----------------|------------------|
| Revenues                                                                                                           |                        | \$1,336.1        | \$1,228.2      | \$1,089.6        |
| Costs and Expenses                                                                                                 |                        |                  |                |                  |
| Operating expenses                                                                                                 |                        | 672.1            | 632.8          | 603.6            |
| Plant and building services                                                                                        |                        | 190.2            | 177.4          | 153.6            |
| Depreciation and amortization                                                                                      |                        | 162.2            | 154.1          | 158.5            |
| Taxes other than income taxes                                                                                      |                        | 93.7             | 92.8           | 91.0             |
| Special charges                                                                                                    |                        | 171.2            | 5.7            | 101.6            |
| Total costs and expenses                                                                                           |                        | <u>1,289.4</u>   | <u>1,062.8</u> | <u>1,108.3</u>   |
| Operating Income (Loss)                                                                                            |                        | 46.7             | 165.4          | (18.7)           |
| Other Income (Expense), net                                                                                        |                        | (13.5)           | 1.7            | 9.4              |
| Interest Expense                                                                                                   |                        | <u>52.8</u>      | <u>49.5</u>    | <u>45.8</u>      |
| Income (Loss) Before Income Taxes, Extraordinary Charge<br>and Cumulative Effect of Change in Accounting Principle |                        | (19.6)           | 117.6          | (55.1)           |
| Income Taxes                                                                                                       |                        | <u>5.7</u>       | <u>42.1</u>    | <u>1.7</u>       |
| Income (Loss) Before Extraordinary Charge and Cumulative Effect<br>of Change in Accounting Principle               |                        | (25.3)           | 75.5           | (56.8)           |
| Extraordinary Charge                                                                                               |                        | (7.0)            | —              | —                |
| Cumulative Effect of Change in Accounting Principle                                                                |                        | <u>—</u>         | <u>(2.9)</u>   | <u>—</u>         |
| Net Income (Loss)                                                                                                  |                        | (32.3)           | 72.6           | (56.8)           |
| Preferred Dividend Requirements                                                                                    |                        | <u>—</u>         | <u>—</u>       | <u>2.2</u>       |
| Income (Loss) Applicable to Common Shares                                                                          |                        | <u>\$ (32.3)</u> | <u>\$ 72.6</u> | <u>\$ (59.0)</u> |
| Earnings (Loss) Per Common Share                                                                                   |                        |                  |                |                  |
| Income (Loss) Before Extraordinary Charge and Cumulative<br>Effect of Change in Accounting Principle               |                        | \$ (.38)         | \$ 1.15        | \$ (.93)         |
| Extraordinary Charge                                                                                               |                        | (.11)            | —              | —                |
| Cumulative Effect of Change in Accounting Principle                                                                |                        | <u>—</u>         | <u>(.04)</u>   | <u>—</u>         |
| Net Income (Loss)                                                                                                  |                        | <u>\$ (.49)</u>  | <u>\$ 1.11</u> | <u>\$ (.93)</u>  |
| Weighted Average Common Shares Outstanding (000)                                                                   |                        | 66,271           | 65,443         | 63,296           |

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

## Consolidated Balance Sheets

| <i>Millions of Dollars</i>                                   | at December 31 | 1995             | 1994             |
|--------------------------------------------------------------|----------------|------------------|------------------|
| <b>Assets</b>                                                |                |                  |                  |
| <b>Current Assets</b>                                        |                |                  |                  |
| Cash and cash equivalents                                    |                | \$ 2.9           | \$ 78.4          |
| Receivables, less allowances of \$14.7 and \$14.1            |                | 266.7            | 246.1            |
| Material and supplies                                        |                | 10.5             | 16.0             |
| Deferred income taxes                                        |                | 25.4             | 29.0             |
| Prepaid expenses and other assets                            |                | 35.9             | 29.1             |
| Total current assets                                         |                | <u>341.4</u>     | <u>398.6</u>     |
| Property, Plant and Equipment, net                           |                | 993.9            | 1,036.2          |
| Goodwill and Other Intangibles                               |                | 172.3            | 197.4            |
| Investments in Unconsolidated Entities                       |                | 53.4             | 48.8             |
| Deferred Charges and Other Assets                            |                | <u>30.7</u>      | <u>42.4</u>      |
| Total Assets                                                 |                | <u>\$1,591.7</u> | <u>\$1,723.4</u> |
| <b>Liabilities and Shareowners' Equity</b>                   |                |                  |                  |
| <b>Current Liabilities</b>                                   |                |                  |                  |
| Debt maturing within one year                                |                | \$ 126.1         | \$ 68.7          |
| Payables and other current liabilities                       |                | 327.2            | 314.6            |
| Total current liabilities                                    |                | <u>453.3</u>     | <u>383.3</u>     |
| Long-Term Debt                                               |                | 386.8            | 528.3            |
| Deferred Income Taxes                                        |                | 111.3            | 164.0            |
| Unamortized Investment Tax Credits                           |                | 14.8             | 16.2             |
| Other Long-Term Liabilities                                  |                | <u>147.4</u>     | <u>79.2</u>      |
| Total liabilities                                            |                | <u>1,113.6</u>   | <u>1,171.0</u>   |
| <b>Commitments and Contingencies</b>                         |                |                  |                  |
| <b>Shareowners' Equity</b>                                   |                |                  |                  |
| Common shares - \$1 par value; 240,000,000 shares authorized |                | 66.7             | 65.9             |
| Additional paid-in capital                                   |                | 256.1            | 239.5            |
| Retained earnings                                            |                | 157.1            | 246.6            |
| Currency translation adjustments                             |                | (1.8)            | .4               |
| Total shareowners' equity                                    |                | <u>478.1</u>     | <u>552.4</u>     |
| Total Liabilities and Shareowners' Equity                    |                | <u>\$1,591.7</u> | <u>\$1,723.4</u> |

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

## Consolidated Statements of Cash Flows

| <i>Millions of Dollars</i>                                                               | Year Ended December 31 | 1995           | 1994           | 1993           |
|------------------------------------------------------------------------------------------|------------------------|----------------|----------------|----------------|
| <b>Cash Flows From Operating Activities:</b>                                             |                        |                |                |                |
| Net income (loss)                                                                        |                        | \$ (32.3)      | \$ 72.6        | \$ (56.8)      |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |                        |                |                |                |
| Depreciation and amortization                                                            |                        | 162.2          | 154.1          | 158.5          |
| Special charges                                                                          |                        | 171.2          | 5.7            | 101.6          |
| Provision for loss on receivables                                                        |                        | 8.5            | 11.1           | 14.6           |
| Charge for purchased research and development                                            |                        | 7.5            | —              | —              |
| Cumulative effect of accounting change                                                   |                        | —              | 4.5            | —              |
| Other net                                                                                |                        | 6.6            | 9.3            | (2.1)          |
| Change in assets and liabilities net of effects from acquisitions and disposals:         |                        |                |                |                |
| Increase in receivables                                                                  |                        | (34.1)         | (33.0)         | (11.4)         |
| Decrease (increase) in other current assets                                              |                        | (1.1)          | 6.3            | 12.7           |
| Increase (decrease) in accounts payable and accrued liabilities                          |                        | (1.4)          | 8.9            | 9.1            |
| Increase (decrease) in other current liabilities                                         |                        | (11.2)         | 31.7           | (2.8)          |
| Decrease in deferred income taxes and unamortized investment tax credits                 |                        | (50.5)         | (4.1)          | (6.8)          |
| Decrease (increase) in other assets and liabilities, net                                 |                        | 7.3            | 4.2            | (18.4)         |
| Decrease in assets and liabilities from termination of swap agreement                    |                        | (36.6)         | —              | —              |
| Net cash provided by operating activities                                                |                        | <u>196.1</u>   | <u>271.3</u>   | <u>198.2</u>   |
| <b>Cash Flows From Investing Activities:</b>                                             |                        |                |                |                |
| Capital expenditures – telephone plant                                                   |                        | (90.3)         | (110.5)        | (109.3)        |
| Capital expenditures – other                                                             |                        | (25.0)         | (36.2)         | (57.2)         |
| Acquisitions, net of cash acquired                                                       |                        | (31.4)         | —              | (67.8)         |
| Dispositions of businesses                                                               |                        | —              | 27.0           | —              |
| Other, net                                                                               |                        | 5.4            | 2.5            | 9.7            |
| Net cash used in investing activities                                                    |                        | <u>(141.3)</u> | <u>(117.2)</u> | <u>(224.6)</u> |
| <b>Cash Flows From Financing Activities:</b>                                             |                        |                |                |                |
| Issuance of long-term debt                                                               |                        | 21.9           | —              | 169.6          |
| Repayment of long-term debt                                                              |                        | (78.4)         | (1.5)          | (28.1)         |
| Net decrease in notes payable                                                            |                        | (29.9)         | (45.9)         | (55.5)         |
| Issuance of common shares                                                                |                        | 9.1            | 15.3           | 2.6            |
| Dividends paid                                                                           |                        | (53.0)         | (52.3)         | (53.3)         |
| Acquisition of common shares                                                             |                        | —              | —              | (5.5)          |
| Net cash provided by (used in) financing activities                                      |                        | <u>(130.3)</u> | <u>(84.4)</u>  | <u>29.8</u>    |
| Net increase (decrease) in cash and cash equivalents                                     |                        | (75.5)         | 69.7           | 3.4            |
| Cash and cash equivalents at beginning of year                                           |                        | 78.4           | 8.7            | 5.3            |
| Cash and cash equivalents at end of year                                                 |                        | <u>\$ 2.9</u>  | <u>\$ 78.4</u> | <u>\$ 8.7</u>  |

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

# Consolidated Statements of Common Shareowners' Equity

| Common Shareowners' Equity                          |                |               |                            |                   |                                  |                                      |
|-----------------------------------------------------|----------------|---------------|----------------------------|-------------------|----------------------------------|--------------------------------------|
| <i>Millions of Dollars Except Per Share Amounts</i> | Total          | Common Shares | Additional Paid-In Capital | Retained Earnings | Currency Translation Adjustments | Common Shares Outstanding (millions) |
| Balance at January 1, 1993                          | \$568.9        | \$62.0        | \$164.4                    | \$342.3           | \$ —                             | 62.0                                 |
| Shares issued under                                 |                |               |                            |                   |                                  |                                      |
| shareowner and employee plans                       | 2.5            | .2            | 2.7                        | (.3)              | —                                | .2                                   |
| Acquisition of shares                               | (5.5)          | (.3)          | (.7)                       | (4.5)             | —                                | (.3)                                 |
| Preferred shares converted to common shares         | 60.0           | 3.1           | 56.8                       | —                 | —                                | 3.1                                  |
| Net loss                                            | (56.8)         | —             | —                          | (56.8)            | —                                | —                                    |
| Dividends:                                          |                |               |                            |                   |                                  |                                      |
| Preferred shares 7.25%                              | (2.2)          | —             | —                          | (2.2)             | —                                | —                                    |
| Common shares \$.80 per share                       | (51.3)         | —             | —                          | (51.3)            | —                                | —                                    |
| <b>Balance at December 31, 1993</b>                 | <b>\$515.6</b> | <b>\$65.0</b> | <b>\$223.2</b>             | <b>\$227.4</b>    | <b>\$ —</b>                      | <b>65.0</b>                          |
| Shares issued under                                 |                |               |                            |                   |                                  |                                      |
| shareowner and employee plans                       | 17.2           | .9            | 16.3                       | —                 | —                                | .9                                   |
| Net income                                          | 72.6           | —             | —                          | 72.6              | —                                | —                                    |
| Pension liability adjustment                        | (1.0)          | —             | —                          | (1.0)             | —                                | —                                    |
| Currency translation adjustment                     | .4             | —             | —                          | —                 | .4                               | —                                    |
| Dividends on common shares                          |                |               |                            |                   |                                  |                                      |
| \$.80 per share                                     | (52.4)         | —             | —                          | (52.4)            | —                                | —                                    |
| <b>Balance at December 31, 1994</b>                 | <b>\$552.4</b> | <b>\$65.9</b> | <b>\$239.5</b>             | <b>\$246.6</b>    | <b>\$ .4</b>                     | <b>65.9</b>                          |
| Shares issued under                                 |                |               |                            |                   |                                  |                                      |
| shareowner and employee plans                       | 14.5           | .7            | 13.9                       | (.1)              | —                                | .7                                   |
| Other shares issued                                 | 2.8            | .1            | 2.7                        | —                 | —                                | .1                                   |
| Net loss                                            | (32.3)         | —             | —                          | (32.3)            | —                                | —                                    |
| Pension liability adjustment                        | (4.0)          | —             | —                          | (4.0)             | —                                | —                                    |
| Currency translation adjustment                     | (2.2)          | —             | —                          | —                 | (2.2)                            | —                                    |
| Dividends on common shares                          |                |               |                            |                   |                                  |                                      |
| \$.80 per share                                     | (53.1)         | —             | —                          | (53.1)            | —                                | —                                    |
| <b>Balance at December 31, 1995</b>                 | <b>\$478.1</b> | <b>\$66.7</b> | <b>\$256.1</b>             | <b>\$157.1</b>    | <b>\$(1.8)</b>                   | <b>66.7</b>                          |

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

## Notes to Financial Statements

## 1. Accounting Policies

**Consolidation** — The consolidated financial statements include the accounts of Cincinnati Bell Inc. and its wholly owned subsidiaries (the Company). The three principal subsidiaries are Cincinnati Bell Telephone (CBT), Cincinnati Bell Information Systems (CBIS) and MATRIX Marketing (MATRIX). All significant intercompany transactions and balances have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform with the current year's presentation.

**Basis of Accounting** — The Company's consolidated financial statements have been prepared in accordance with generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Regulatory Accounting** — CBT follows the accounting under the provisions of Statement of Financial Accounting Standards (SFAS) 71, "Accounting for the Effects of Certain Types of Regulation." This accounting reflects the rate actions of regulators in the financial statements. The rate actions can provide reasonable assurance of the existence of an asset, reduce or eliminate the value of an asset, impose a liability, or eliminate a liability previously imposed. The most significant impact from the rate actions is on depreciation because regulatory recovery periods used for telephone plant are longer than the useful lives that might otherwise be used. The Company continually reviews the applicability of SFAS 71 based on developments in its current regulatory and competitive environment. In the event CBT determines that it no longer meets the criteria for following SFAS 71, the accounting impact to CBT could be a material, extraordinary, non-cash charge. This would include the elimination of regulatory assets or liabilities and adjusting the carrying amount of telephone plant to the extent it is determined such amounts would be considered overstated as a result of the regulatory process and are not recoverable in future revenues. Asset lives used for future depreciation expense would likely be shorter than those approved by regulators. The accounting under the provisions of SFAS 71 results in non-plant regulatory assets of \$12.2 million and regulatory liabilities of \$26.1 million as described in Note 3.

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

**Material and Supplies** — New and reusable material, related to the regulated telephone operations, are carried at average original cost, or specific costs for large items. Nonreusable material is carried at estimated salvage value.

**Property, Plant and Equipment** — Property, plant and equipment are stated at original cost.

The Company's provision for depreciation of telephone plant is determined on a straight-line basis using the whole life and remaining life methods. Depreciation expense also includes amortization of certain classes of telephone plant and identified depreciation reserve deficiencies over periods allowed by regulatory authorities. Provision for depreciation of other property is based on the straight-line method over the estimated useful life.

Telephone plant is retired at its original cost, net of cost of removal and salvage, and is charged to accumulated depreciation.

**Software Development Costs** — Research and development expenditures are charged to expense as incurred. The development costs of software to be marketed are charged to expense until technological feasibility is established. After that time, the remaining software development costs are capitalized and recorded in property, plant and equipment. Amortization of the capitalized amounts is computed on a product-by-product basis using the straight-line method over the remaining estimated economic life of the product, generally not exceeding four years. Reductions in the carrying value of capitalized software costs to net realizable value are included in amortization expense.

**Goodwill and Other Intangibles** — Goodwill resulting from the purchase of businesses and other intangibles are recorded at cost and amortized on a straight-line basis of up to 40 years. Goodwill and other intangibles are evaluated periodically as events or circumstances indicate a possible inability to recover their carrying amount. Such evaluation is based on various analyses, including cash flow and profitability projections that incorporate, as applicable, the impact on existing company businesses. The analyses necessarily involve significant management judgment to evaluate the capacity of an acquired business to perform within projections. If future expected undiscounted cash flows are insufficient to recover the carrying amount of the asset, then an impairment loss is recognized.

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

nized over the maintenance period. Software licensing revenues are recognized when delivery of the software occurs if the Company does not have to provide additional significant service under the contract. Billed but unearned revenues are deferred. All other revenues are recognized when the services are performed regardless of the period in which they are billed.

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

**Earnings Per Common Share** — Earnings per common share are calculated by using the weighted average number of common shares outstanding. The dilutive effect of the Company's common shares under option is currently insignificant.

**Currency Translation** — Assets and liabilities of foreign operations, where the functional currency is the local currency, are translated to U.S. dollars at year-end exchange rates. The related currency translation adjustments are reflected as cumulative translation adjustments, a separate component of shareowners' equity. Revenue and expenses are translated at average rates of exchange prevailing during the year. Transaction gains and losses related to forward contracts that are designated and effective as hedges are deferred and included in the recorded value of the transaction being hedged. Other currency transaction gains and losses are included in income.

**Financial Instruments** — The Company manages certain portions of its foreign currency and interest rate fluctuations through a small number of instruments but does not engage in foreign currency speculation. Generally, foreign currency instruments and forwards are valued relative to the period ending spot rate. Gains and losses applicable to those instruments are recorded to income currently with the exception of amounts related to foreign currency instruments that have been designated as a hedge of a net investment in a foreign subsidiary. Hedge results of a net investment in a foreign subsidiary are excluded from income and recorded as adjustments to shareowners' equity until the related subsidiary is sold or liquidated. The interest elements of these foreign instruments are recognized to income ratably over the life of the contract. The interest rate differential to be paid or received on interest rate swap agreements and related foreign currency transaction gains and losses are accrued as interest rates change and are recognized as an adjustment of interest expense.

**Recently Issued Accounting Standards** — The Financial Accounting Standards Board has issued SFAS 121 "Accounting for the Impairment of Long-Lived Assets" which is effective for years beginning after December 15, 1995. The statement requires that long-lived assets and certain intangibles to be held and used by entities be reviewed for impairment whenever events or changes in circumstances indicate that the carrying

amount of an asset may not be recoverable. If during the review the sum of the expected future cash flows is less than the carrying amount of the asset, an impairment loss is recognized. The Company believes that the adoption of this standard will not have a material impact on its non-telephone operations. The Company's telephone subsidiary is continuing to evaluate the financial impact of this statement in connection with the application of SFAS 71 accounting requirements.

The Financial Accounting Standards Board has issued SFAS 123 "Accounting for Stock-Based Compensation" which is effective for transactions entered into after December 15, 1995. The pronouncement allows the Company to continue its current method of accounting for stock options or use the method prescribed in the document. The Company intends to continue its current accounting method for stock options.

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## 2. Special Items

### 1995

#### Special charges

In the first quarter, the Company approved a restructuring plan for CBT and CBI. The restructuring plan results in the need for fewer people to operate the businesses. The reduction in CBT's workforce is the result of the offer of early retirement incentives to eligible employees.

More than 1,300 employees accepted the early retirement offer, including 1,000 hourly employees. At the end of 1995, approximately 250 management and 450 hourly employees had left. The Company has the option to delay the retirement date of the hourly employees until March 31, 1997.

During the year, the Company recorded special charges of \$131.6 million after settlement gains to reflect the cost of the restructuring programs. The charges reduced net income by approximately \$84 million or \$1.26 per share. The charges included \$58 million for pension enhancements, \$54 million of curtailment losses for postretirement health care costs, \$7 million for lease termination costs, \$4 million for vacation buyout and severance pay and the remainder for other costs.

Total cash payments of \$7.7 million were applied to accrued restructuring liabilities. The principal cash outflow was \$4 million for the non-qualified portion of lump-sum pension distributions to employees retiring under the current retirement offer. Cash of \$3.4 million was used to pay for vacation buyouts and severance pay during 1995. During 1995, \$2 million of non-cash items were charged against the reserve.

Liabilities related to pension enhancements and postretirement health care costs are included in other long-term liabilities at December 31, 1995. Other accrued costs related to the restructuring at December 31, 1995, are \$14.2 million consisting of \$6 million for real estate exit costs, \$2.4 million for employee separation costs and \$5.8 million of other exit costs.

The Company expects to record a small amount of non-cash settlement gains associated with lump sum

pension distributions through 1997 as employees leave the Company. Cash outflows are expected to be \$8 million in 1996.

In December, the Company recognized a goodwill impairment loss of approximately \$39 million resulting from a writedown of goodwill related to two French telephone marketing businesses (see Note 7).

#### Non-recurring charges

Operating expenses include \$7.5 million of in-process research and development costs which were charged to expense in connection with CBIS acquisitions. This reduced net income by \$4.6 million or \$.07 per share (see Note 6).

Other income (expense), net includes a charge to reduce to market the value of real estate held for sale, which decreased net income by \$3.3 million or \$.05 per share. Also included is a charge resulting from termination of the Company's interest rate and currency swap agreement, which was used to hedge its investment in MATRIXX's French operations, reducing net income by \$8.5 million or \$.13 per share (see Note 10).

#### Extraordinary charge

In December 1995, the Company retired, at a premium, \$75 million of 9.1% notes. The retirement was accomplished through redemption and a partial in-substance defeasance. A portion of the debt was redeemed by cash payments of \$56.4 million, including accrued interest. In addition, U.S. government securities totaling \$21.3 million were placed in a trust and their use irrevocably restricted to satisfy the remaining principal balances of \$18.6 million of the notes and interest payments thereon. Available cash was used to finance the transaction which reduced net income by \$7 million or \$.11 per share.

#### 1994

##### Special charges

During December, certain senior managers left CBT through a voluntary separation incentive program. The cost of this offer, including estimated curtailment losses from the Company's non-qualified pension program, partially offset by a reduction in the CBIS restructuring and disposal reserve established in 1993, reduced net income by \$3.7 million or \$.06 per share.

##### Accounting change

Effective January 1, 1994, the Company adopted SFAS 112, "Employers' Accounting for Postemployment Benefits." SFAS 112 requires the accrual of the obligation for benefits provided to former or inactive employees, their beneficiaries and covered dependents after employment but before retirement. These benefits include workers compensation, disability benefits and health care coverage for a limited time. SFAS 112 changed the Company's method of accounting for postemployment benefits from recognizing costs as benefits are paid, to accruing the expected costs of benefits. The cumulative effect of this accounting change reduced net income by \$2.9 million or \$.04 per share.

#### 1993

##### Special charges

Late in the year, the Company commenced a plan to dispose of certain lines of business within CBIS, and to restructure the remainder of the CBIS operations. The disposal plan included the elimination of non-strategic operations, including divesting its holdings in CBIS Federal, closing its foreign data center, and eliminating other unprofitable domestic and international activities. During the year, \$102 million (\$88 million after tax, or \$1.39 per share) of special charges were recorded. Included in this amount were \$97.4 million related to the disposition of businesses (including \$63 million for the write-off of CBIS Federal goodwill) and \$4.6 million related to the restructuring of other CBIS operations including a reduction in workforce.

In 1994, the Company substantially completed its disposal and restructuring plan by selling CBIS Federal and other businesses for approximately \$16 million. Total charges of \$24.3 million were charged against the CBIS restructuring reserve during 1994, reducing the reserve to \$11.1 million at December 31, 1994. The 1994 charges consisted of \$16.6 million for operating losses of businesses to be sold, severance costs of \$4.3 million and the remaining \$3.4 million for the writedown of fixed assets net of a \$2 million reversal of the reserve.

In 1995, total charges against the reserve amounted to \$4.8 million and were for the costs of discontinued products and contracts as well as severance costs. The reserve balance of \$6.3 million at December 31, 1995, is for estimated future costs associated with a lease termination, discontinued products and contingencies related to businesses sold.

##### Non-recurring charges

CBIS recorded other costs and expenses unrelated to the restructuring. Charges to reduce the carrying value of certain capitalized software costs to net realizable value and costs to withdraw from certain international contracts and products reduced net income by \$13.6 million or \$.22 per share. In addition, losses related to an investment in, and loans to, an international distributor of CBIS products and services reduced net income by \$2.7 million or \$.04 per share.

Increased provisions for inventory losses at the Company's supply business reduced net income by \$2 million or \$.03 per share.

CBT accrued amounts related to FCC orders to refund earnings to interexchange carriers in excess of the FCC's target range in the 1987-1988 monitoring period. The accrued amounts reduced network access revenues by \$6.6 million and increased interest expense by \$4.2 million and decreased net income by \$7 million or \$.11 per share. The sale of CBT's residential equipment leasing and PhoneCenter store businesses resulted in a non-operating gain of \$6.5 million or \$.10 per share.



### 3. Income Taxes

The components of income tax expense are as follows:

| Millions of Dollars                                                           | Year Ended December 31 | 1995   | 1994   | 1993   |
|-------------------------------------------------------------------------------|------------------------|--------|--------|--------|
| Current:                                                                      |                        |        |        |        |
| Federal                                                                       |                        | \$49.7 | \$47.2 | \$19.1 |
| Foreign                                                                       |                        | .2     | (.2)   | 1.7    |
| State and Local                                                               |                        | 6.1    | 3.7    | 2.3    |
| Total current                                                                 |                        | 56.0   | 50.7   | 23.1   |
| Deferred                                                                      |                        | (49.0) | (4.5)  | (14.6) |
| Investment tax credits                                                        |                        | (1.3)  | (3.2)  | (2.9)  |
| Adjustment of valuation allowance related to net operating and capital losses |                        | —      | (.9)   | (3.9)  |
| Total                                                                         |                        | \$ 5.7 | \$42.1 | \$ 1.7 |

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

| Millions of Dollars                                                | at December 31 | 1995    | 1994    |
|--------------------------------------------------------------------|----------------|---------|---------|
| Deferred tax asset:                                                |                |         |         |
| Accrued restructure costs                                          |                | \$ 47.2 | \$ 5.4  |
| Unamortized investment tax credit                                  |                | 8.0     | 8.7     |
| Loss carryforwards                                                 |                | 28.6    | 29.5    |
| Deferred tax consequences of net regulatory liability              |                | 3.6     | 4.1     |
| Allowance for doubtful accounts                                    |                | 3.9     | 3.4     |
| Accrued liabilities                                                |                | 9.2     | 7.4     |
| Other                                                              |                | 13.8    | 16.9    |
|                                                                    |                | 114.3   | 75.4    |
| Valuation allowance                                                |                | (22.7)  | (23.4)  |
| Net deferred tax asset                                             |                | 91.6    | 52.0    |
| Deferred tax liability:                                            |                |         |         |
| Depreciation and amortization                                      |                | 148.2   | 159.9   |
| Basis differences on items previously flowed through to ratepayers |                | 12.2    | 14.1    |
| Other                                                              |                | 11.2    | 7.0     |
| Total deferred tax liability                                       |                | 171.6   | 181.0   |
| Net deferred tax liability                                         |                | \$ 80.0 | \$129.0 |

The Company's deferred tax asset valuation allowance increased approximately \$20 million in 1994 primarily due to a capital loss on the sale of CBIS Federal. These capital loss carryforwards can be utilized only when future capital gains are recognized for tax purposes. No tax planning strategy currently exists that meets the prudence and feasibility criteria to recognize this deferred tax asset.

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

|                                                                 | 1995    | 1994  | 1993    |
|-----------------------------------------------------------------|---------|-------|---------|
| U.S. Federal statutory rate                                     | (35.0)% | 35.0% | (35.0)% |
| Insurance cash surrender value                                  | (2.3)   | (.2)  | (.4)    |
| Plant basis differences, net of depreciation                    | 6.2     | 1.1   | 2.0     |
| Rate differential on reversing temporary differences            | (6.9)   | (1.4) | (4.0)   |
| Disposal losses without income tax benefit                      | —       | —     | 40.0    |
| Amortization and writedown of intangible assets                 | 78.8    | 1.6   | 5.2     |
| Change in valuation allowance                                   | .3      | (.8)  | (6.0)   |
| State and local income taxes, net of federal income tax benefit | 13.5    | 2.9   | 2.7     |
| Investment and research tax credits                             | (18.6)  | (4.0) | (9.3)   |
| Taxes related to prior years                                    | 3.8     | .6    | 5.6     |
| Other differences                                               | (8.5)   | .9    | 2.3     |
| Effective rate                                                  | 29.3%   | 35.7% | 3.1%    |

At December 31, 1995 and 1994, the liability for income taxes includes approximately \$12.2 million and \$14.1 million, respectively, representing the cumulative amount of income taxes on temporary differences which were previously flowed through to ratepayers. CBT also recorded a corresponding regulatory asset for these items, representing amounts which will be recovered through the ratemaking process, which is recorded in other assets. These deferrals have been increased for the tax effect of the future revenue requirement and will be amortized over the lives of the related depreciable assets concurrently with their recovery in rates.

In addition, other long-term liabilities include a regulatory liability at December 31, 1995 and 1994, of approximately \$26.1 million and \$29.8 million, respectively, a substantial portion of which represents the excess deferred taxes on depreciable assets, resulting primarily from the reduction in the statutory federal income tax rate from 46% to 35%. This amount will be amortized over the lives of the related depreciable assets in accordance with the average rate assumption method required by the Tax Reform Act of 1986. The regulatory liability also includes an amount associated with unamortized investment tax credits, which will be amortized in the same manner as the underlying investment tax credits. These regulatory liabilities have been increased to reflect future revenue requirement levels.

The Company had net operating loss carryforwards applicable to foreign subsidiaries at December 31, 1995 and 1994, of approximately \$17.6 million and \$18.7 million, respectively. Utilization of the foreign carryforwards is dependent upon future earnings of each subsidiary with foreign carryforwards expiring 1996 through 2003. Management believes it is more likely than not that all of the deferred tax assets applicable to net operating loss

carryforwards of foreign subsidiaries will be realized. However, the amount considered realizable could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced. The Company had U.S. capital loss carryforwards at December 31, 1995 and 1994, of approximately \$64.9 million and \$66.6 million, respectively. Utilization of these capital losses is dependent upon the generation of future capital gains with the carryforwards expiring in 1996 through 2000 and, accordingly, a valuation allowance has been established for the related deferred tax asset.

#### 4. Retirement Plans

##### Pensions

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

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

The Company uses the projected unit credit cost method for determining pension cost for financial reporting purposes and accounts for certain benefits provided under early retirement packages discussed in Note 2 as a special termination benefit.

Pension cost includes the following components:

| Millions of Dollars                                | Year Ended December 31 | 1995    | 1994    | 1993    |
|----------------------------------------------------|------------------------|---------|---------|---------|
| Service cost (benefits earned during the period)   | \$                     | 6.9     | \$ 12.4 | \$ 10.1 |
| Interest cost on projected benefit obligation      |                        | 48.9    | 39.9    | 40.3    |
| Actual return on plan assets                       |                        | (185.6) | 10.5    | (79.6)  |
| Amortization and deferrals - net                   |                        | 131.5   | (65.2)  | 29.4    |
| Charge to expense for special termination benefits |                        | 58.8    | —       | 7.6     |
| Curtailment loss                                   |                        | 4.9     | 4.1     | —       |
| Settlement gains                                   |                        | (5.9)   | —       | (7.9)   |
| Pension cost (income)                              | \$                     | \$ 59.5 | \$ 3.7  | \$ (1)  |

The following table sets forth the plans' funded status:

| Millions of Dollars                                                                                                                                                             | 1995      | 1994     |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|----------|
| Actuarial present value of accumulated benefit obligation including vested benefits of \$574.4 million and \$440.2 million, respectively                                        | \$ 688.3  | \$ 491.3 |
| Plan assets at fair value (primarily listed stocks, bonds and real estate, including \$120.1 million and \$58.8 million, respectively in common shares of Cincinnati Bell Inc.) | \$ 698.9  | \$ 660.5 |
| Actuarial present value of projected benefit obligation                                                                                                                         | (709.0)   | (533.6)  |
| Plan assets over (under) projected benefit obligation                                                                                                                           | (10.1)    | 126.9    |
| Unrecognized prior service cost                                                                                                                                                 | 30.9      | 13.4     |
| Unrecognized transition asset                                                                                                                                                   | (36.1)    | (44.5)   |
| Unrecognized net gain                                                                                                                                                           | (18.0)    | (79.4)   |
| Recognition of minimum liability                                                                                                                                                | (7.8)     | (5.4)    |
| Pension asset (liability)                                                                                                                                                       | \$ (41.1) | \$ 11.0  |

The increase in the pension liability in 1995 was principally the result of recognizing approximately \$58 million of pension enhancements in connection with the 1995 restructuring (see Note 2). The recognized pension liability will be reduced in the future principally by Company contributions in accordance with its funding policy.

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

| At December 31                                   | 1995  | 1994  | 1993  |
|--------------------------------------------------|-------|-------|-------|
| Discount rate - projected benefit obligation     | 7.00% | 8.25% | 7.25% |
| Future compensation growth rate                  | 4.00% | 4.00% | 4.00% |
| Expected long-term rate of return on plan assets | 8.25% | 8.25% | 8.25% |

##### Savings Plans

The Company sponsors seven defined contribution plans covering substantially all employees. The Company's contributions to the plans are based on matching a portion of the employee contributions or on a percentage of employee earnings or net income for the year. Total Company contributions to the defined contribution plans were \$10.9 million, \$8.4 million and \$7.3 million for 1995, 1994 and 1993, respectively.

## 5. Employee Postretirement Benefits Other Than Pensions

The Company provides health care and group life insurance benefits for its employees if they retire with a service pension. In 1993, the Company adopted SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." In adopting SFAS 106, the Company elected to amortize the accumulated postretirement benefit obligation over twenty years.

The Company funds its group life insurance benefits through Retirement Funding Accounts (RFAs) and funds health care benefits using Voluntary Employee Benefit Association (VEBA) trusts. It is the Company's practice to fund amounts as deemed appropriate from time to time. Contributions are subject to IRS limitations developed using the aggregate cost method. The associated plan assets are primarily equity securities and fixed income investments.

The components of postretirement benefit cost for the years ended December 31, 1995 and 1994, in millions of dollars, are as follows:

| 1995                                                           | Health        | Group Life   | Total         |
|----------------------------------------------------------------|---------------|--------------|---------------|
| Service cost (benefits earned during the period)               | \$ 1.1        | \$ .5        | \$ 1.6        |
| Interest cost on accumulated postretirement benefit obligation | 13.3          | 1.9          | 15.2          |
| Actual return on plan assets                                   | (7.7)         | (2.1)        | (4.7)         |
| Amortization and deferrals - net                               | 10.7          | (.1)         | 5.5           |
| Curtailment loss                                               | 53.8          | —            | 53.8          |
| Postretirement benefit cost                                    | <u>\$71.2</u> | <u>\$ .2</u> | <u>\$71.4</u> |

| 1994                                                           | Health        | Group Life   | Total         |
|----------------------------------------------------------------|---------------|--------------|---------------|
| Service cost (benefits earned during the period)               | \$ 1.9        | \$ .6        | \$ 2.5        |
| Interest cost on accumulated postretirement benefit obligation | 11.3          | 2.0          | 13.3          |
| Actual return on plan assets                                   | (3.4)         | (2.1)        | (5.5)         |
| Amortization and deferrals - net                               | 8.7           | —            | 8.7           |
| Postretirement benefit cost                                    | <u>\$18.5</u> | <u>\$ .5</u> | <u>\$19.0</u> |

The funded status of the plans, in millions of dollars, at December 31, 1995 and 1994, is:

| 1995                                                                   | Health         | Group Life    | Total          |
|------------------------------------------------------------------------|----------------|---------------|----------------|
| Accumulated postretirement benefit obligation                          |                |               |                |
| Retirees and dependents                                                | \$182.4        | \$ 19.0       | \$201.4        |
| Fully eligible active participants                                     | 7.4            | —             | 7.4            |
| Other active participants                                              | 14.2           | 12.2          | 26.4           |
|                                                                        | <u>204.0</u>   | <u>31.2</u>   | <u>235.2</u>   |
| Plan assets at fair value                                              | (46.5)         | (28.4)        | (74.9)         |
| Accumulated postretirement benefit obligation in excess of plan assets | 157.5          | 2.8           | 160.3          |
| Unrecognized prior service cost                                        | (2.3)          | (.5)          | (2.8)          |
| Unrecognized transition obligation                                     | (87.3)         | (.2)          | (87.5)         |
| Unrecognized net loss                                                  | (13.9)         | (1.0)         | (14.9)         |
| Accrued postretirement benefit cost                                    | <u>\$ 54.0</u> | <u>\$ 1.1</u> | <u>\$ 55.1</u> |

The increase in the accrued postretirement benefit cost was principally related to the recognition of approximately \$54 million of curtailment losses for the 1995 restructuring (see Note 2).

| 1994                                                                           | Health       | Group Life   | Total         |
|--------------------------------------------------------------------------------|--------------|--------------|---------------|
| Accumulated postretirement benefit obligation                                  |              |              |               |
| Retirees and dependents                                                        | \$ 110.2     | \$ 13.6      | \$123.8       |
| Fully eligible active participants                                             | 11.4         | —            | 11.4          |
| Other active participants                                                      | 26.5         | 10.2         | 36.7          |
|                                                                                | <u>148.1</u> | <u>23.8</u>  | <u>171.9</u>  |
| Plan assets at fair value                                                      | (31.2)       | (28.1)       | (59.3)        |
| Accumulated postretirement benefit obligation in excess of (under) plan assets | 116.9        | (4.3)        | 112.6         |
| Unrecognized transition obligation                                             | (122.1)      | (.2)         | (122.3)       |
| Unrecognized net gain                                                          | 5.6          | 5.3          | 10.9          |
| Accrued postretirement benefit cost                                            | <u>\$ .4</u> | <u>\$ .8</u> | <u>\$ 1.2</u> |

The Company used the following rates in determining the actuarial present value of the accumulated postretirement benefit obligation (APBO) and postretirement benefit costs:

| At December 31                                    | 1995  | 1994  |
|---------------------------------------------------|-------|-------|
| Discount rate - APBO                              | 7.00% | 8.25% |
| Expected long-term rate of return for VEBA assets | 8.25% | 8.25% |
| Expected long-term rate of return for RFA assets  | 8.00% | 8.00% |

The assumed health care cost trend rate used to measure the postretirement health benefit obligation at December 31, 1995, was 6.6% and is assumed to decrease gradually to 4.7% by the year 2001. A one percentage point increase in the assumed health care cost trend rate would have increased the aggregate of the service and interest cost components of 1995 postretirement health benefits by approximately \$8 million, and would increase the accumulated postretirement benefit obligation as of December 31, 1995, by approximately \$10.2 million.

## 6. Software Development Costs

Software development costs consist of the following:

| Millions of Dollars                                                             | 1995    | 1994    | 1993    |
|---------------------------------------------------------------------------------|---------|---------|---------|
| Gross product development costs                                                 | \$ 39.0 | \$ 22.1 | \$ 56.3 |
| Product development costs expensed                                              | (31.5)  | (16.6)  | (29.9)  |
| Product development costs expensed with acquisitions of X International and ISD | (7.5)   | —       | —       |
| Additions to capitalized software development costs                             | \$ —    | \$ 5.5  | \$ 26.4 |

Capitalized software development costs, net of accumulated amortization, consist of the following:

| Millions of Dollars         | 1995    | 1994    | 1993    |
|-----------------------------|---------|---------|---------|
| Balance - beginning of year | \$ 30.1 | \$ 35.1 | \$ 34.7 |
| Additions                   | —       | 5.5     | 26.4    |
| Amortization                | (11.3)  | (10.5)  | (26.0)  |
| Balance - end of year       | \$ 18.8 | \$ 30.1 | \$ 35.1 |

Amortization of capitalized software cost is included in depreciation and amortization expense. Amortization expense for 1993 includes \$17 million of charges to reduce the carrying value of certain capitalized software costs to net realizable value.

In connection with two CBIS acquisitions in 1995, \$7.5 million of the purchase price was allocated to in-process research and development and charged to expense at the time of the acquisition. As of the date of the acquisitions, the Company concluded that the in-process technology had no alternative future use and had not reached technological feasibility. These charges reduced net income by \$4.6 million or \$.07 per share.

## 7. Goodwill and Other Intangibles

Goodwill and other intangibles, net of accumulated amortization, consist of the following:

| Millions of Dollars         | 1995    | 1994    |
|-----------------------------|---------|---------|
| Balance - beginning of year | \$197.4 | \$192.2 |
| Additions                   | 24.4    | 10.0    |
| Writedown                   | (39.0)  | —       |
| Amortization                | (8.8)   | (8.4)   |
| Other                       | (1.7)   | 3.6     |
| Balance - end of year       | \$172.3 | \$197.4 |

The additions in 1995 resulted from the two CBIS acquisitions with the 1994 additions resulting from the contingent consideration recorded for the WATS acquisition.

In December 1995 the Company recognized a goodwill impairment charge of \$39 million, with no associated tax benefit, that reduced net income by \$39 million or \$.59 per share. The goodwill was established related to the 1990 acquisition of two French telephone marketing businesses. The goodwill impairment was recognized because it became apparent in late 1995 that the French business would not

likely meet plans required to sustain the recorded goodwill amount.

In determining the amount of the charge, the Company developed its best estimate of operating cash flows over the expected lives of the business' long-lived assets.

Management's best estimate resulted in accumulated undiscounted cash flows being less than the carrying value of the asset. As a consequence, impairment had occurred under our policy. The writedown is calculated by comparing the discounted cash flows to the asset value. The Company calculated the present value of expected cash flows to determine the fair value of the business using a discount rate of 12% which represents the Company's cost of capital. Despite the writedown, the Company continues to consider the French operations strategically important to its future growth in Europe.

Accumulated amortization of goodwill and other intangibles was \$89.2 million and \$40.7 million at December 31, 1995 and 1994, respectively.

## 8. Debt Maturing Within One Year and Lines of Credit

Debt maturing within one year consists of the following:

| Millions of Dollars                              | at December 31 | 1995    | 1994   | 1993    |
|--------------------------------------------------|----------------|---------|--------|---------|
| Notes payable                                    |                |         |        |         |
| Commercial paper                                 |                | \$ —    | \$65.8 | \$ 91.4 |
| Bank notes                                       |                | 35.9    | —      | 18.2    |
| Current maturities of long-term debt             |                | 90.2    | 2.9    | 2.4     |
| Total                                            |                | \$126.1 | \$68.7 | \$112.0 |
| Weighted average interest rates on notes payable |                | 5.9%    | 6.2%   | 3.5%    |

Average notes payable and the related interest rates for the last three years are as follows:

| Millions of Dollars                                               | 1995   | 1994    | 1993    |
|-------------------------------------------------------------------|--------|---------|---------|
| Average amounts of notes payable outstanding during the year*     | \$66.1 | \$ 69.5 | \$162.5 |
| Weighted average interest rate during the year**                  | 6.1%   | 4.2%    | 3.2%    |
| Maximum amounts of notes payable at any month-end during the year | \$71.1 | \$100.2 | \$202.5 |

\* Amounts represent the average daily face amount of notes.

\*\* Weighted average interest rates are computed by dividing the daily average face amount of notes into the aggregate related interest expense.

At December 31, 1995, the Company had approximately \$78 million of unused bank lines of credit, which are available to provide support for commercial paper borrowings. These lines of credit are available for general corporate purposes. There are no material compensating balances or commitment fee agreements under these credit arrangements.

## 9. Long-Term Debt

Interest rates and maturities of long-term debt outstanding at December 31, in millions of dollars, were as follows:

| Description              |                 | 1995           | 1994           |
|--------------------------|-----------------|----------------|----------------|
| Debtures/Notes           |                 |                |                |
| Year of Maturity         | Interest Rate % |                |                |
| 1996                     | 7.300           | \$ 40.0        | \$ 40.0        |
| 1997                     | 6.700           | 100.0          | 100.0          |
| 1999                     | 8.625           | 40.0           | 40.0           |
| 2000                     | 9.100           | —              | 75.0           |
| 2002                     | 4.375           | 20.0           | 20.0           |
| 2003                     | 6.240           | 20.0           | 20.0           |
| 2005                     | 6.330           | 20.0           | 20.0           |
| 2011                     | 7.375           | 50.0           | 50.0           |
| 2023                     | 7.250           | 50.0           | 50.0           |
| 2023                     | 7.180-7.270     | 80.0           | 80.0           |
|                          |                 | <u>420.0</u>   | <u>495.0</u>   |
| Capital leases and other |                 | 57.4           | 36.8           |
| Unamortized discount-net |                 | (.4)           | (.6)           |
| Current maturities       |                 | <u>(90.2)</u>  | <u>(2.9)</u>   |
| Total                    |                 | <u>\$386.8</u> | <u>\$528.3</u> |

Refer to Note 2 regarding the 1995 retirement of the 9.1% notes due in 2000.

On December 19, 1995, CBT called for redemption \$40 million of 7.3% notes due 1996 and \$40 million of 8 5/8% notes due 1999. The redemption date was January 18, 1996, with the redemption price being 100% of the principal amount plus accrued interest. Accordingly, the notes have been classified as a current maturity. The redemption was accomplished by issuing short-term debt. The cost of the redemption was minimal.

The \$57.4 million shown above in "Capital leases and other" includes \$16 million borrowed in Switzerland at 3.4% to hedge a CBIS contract.

## 10. Termination of Interest Rate and Currency Swap Agreement

In 1990, the Company entered into an interest rate and currency swap agreement to reduce the impact of changes in interest rates and foreign currency exchange rates. Under the agreement, the Company received 225 million French francs in return for \$41.7 million. The agreement had the effect of converting \$41.7 million of the Company's short-term variable interest rate borrowings to long-term at a French franc fixed interest rate. In the year 2000, the original amounts were to be repaid. This transaction was designated as a hedge of the Company's net investment in a French subsidiary of MATRIX and accordingly, the currency gains or losses associated with this transaction were reflected in the currency translation adjustment in shareholders' equity.

The Company received quarterly interest payments calculated using market rates on a notional amount of \$41.7 million. These payments approximately offset the cash interest incurred on \$41.7 million of commercial

paper borrowings. The Company accrued interest on a notional amount of 225 million French francs. The approximate effective rate was such that net interest expense was based on the interest cost implicit in the contract measured in French francs (approximately 11%). Net amounts due to and from the counterparty were reflected in interest expense in the periods in which they accrued. The net effect of the swap for the years ended December 31, 1995 and 1994, was to increase interest expense by \$5.1 million and \$4.5 million, respectively. The swap also increased the Company's weighted average interest rate from 7.7% to 8.5% in 1995 and from 7.4% to 8.2% in 1994.

In December 1995, the Company terminated the agreement and paid a cash settlement. Under the terms of the agreement, the Company paid additional costs of \$13.3 million. The termination costs were recorded in other income (expense), net.

## 11. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents, commercial paper and short-term notes payable – the carrying amount approximates fair value because of the short time to maturity of those instruments.

Long-term debt – the fair value of long-term debt is estimated based on the quotes for similar liabilities obtained from an underwriter. The carrying amounts at December 31, 1995 and 1994, were approximately \$441.9 million and \$495.7 million, respectively. The estimated fair values at December 31, 1995 and 1994, were \$448.4 million and \$454.2 million, respectively.

Interest rate and currency swap agreement – the fair value of the foreign currency and interest rate swap is the estimated amount that the Company would receive (or pay) to terminate the swap agreement at the reporting date, taking into account current currency translation and interest rates and the current credit-worthiness of the swap counterparty. The Company's foreign currency and interest rate swap agreement was terminated in 1995 as described in Note 10. At December 31, 1994, if the Company had closed its position on this agreement, additional costs of approximately \$8.0 million would have been incurred.

## 12. Common and Preferred Shares

### Common Share Purchase Rights Plan

In 1986, the Company adopted a Share Purchase Rights Plan by granting a dividend of one right for each outstanding common share. After adjustments for share splits there is one quarter right associated with each share. Each right entitles shareholders to purchase, under certain conditions, one one-hundredth of a Series A Preferred Share, without par value, for \$125. The rights may be exercised or transferred apart from the common shares only if a

person or group acquires 20% or more of the Company's common shares or announces a tender offer that would result in ownership of 30% or more of the Company's common shares. Thereafter, if the Company is the surviving corporation in a merger, or if an acquirer becomes the beneficial owner of more than 40% of the common shares of the Company, or in the event of certain self-dealing transactions between the acquirer and the Company, each holder of a right will be entitled to purchase common shares of the Company having a value equal to two times the exercise price of the right. If the Company is not the surviving corporation in a merger, or if 50% or more of the Company's assets or earning power is sold or transferred, each holder of a right will be entitled to purchase common shares of the surviving company equal to two times the exercise price of the right. Any rights owned by the acquirer would be null and void. The rights, which expire on November 5, 1996, may be redeemed by the Company at a price of \$.01 per right after the acquisition of 20% of the Company's common shares.

#### Preferred Shares

The Company is authorized to issue up to 4,000,000 voting preferred shares and 1,000,000 nonvoting preferred shares. At December 31, 1995 and 1994, there were no preferred shares outstanding.

#### 13. Stock Option and Other Incentive Plans

The Company has several incentive plans which allow for the granting of options, stock appreciation rights (SARs) and other awards at no less than the fair market value at the grant date.

Stock option activity is summarized as follows:

| Options                                         | 1995            | 1994            | 1993            |
|-------------------------------------------------|-----------------|-----------------|-----------------|
| Outstanding at beginning of year                | 2,778,995       | 2,532,828       | 1,972,135       |
| Granted                                         | 1,017,100       | 844,900         | 923,050         |
| Exercised                                       | (388,645)       | —               | (123,112)       |
| Canceled                                        | (510,300)       | (598,733)       | (239,245)       |
| Outstanding at end of year                      | 2,897,150       | 2,778,995       | 2,532,828       |
| Exercisable at December 31                      | 1,921,283       | 1,683,811       | 1,326,053       |
| Common shares available for granting of options | 4,306,123       | 4,382,000       | 4,049,000       |
| Price of options exercised                      | \$12.00-\$23.25 | —               | \$10.97-\$21.13 |
| Exercise price of options outstanding           | \$12.00-\$30.63 | \$12.00-\$26.50 | \$12.00-\$26.50 |

During 1995, 1994 and 1993, 229,000 shares, 72,000 shares and 5,500 shares, respectively, were granted as other awards. There were no SARs granted or outstanding during 1995, 1994 and 1993.

#### 14. Lease Commitments

The Company leases certain facilities and equipment used in its operations. Total rental expenses amounted to approximately \$69.3 million, \$71.7 million and \$71.0 million in 1995, 1994 and 1993, respectively.

At December 31, 1995, the aggregate minimum rental commitments under noncancelable leases for the periods shown, in millions of dollars, are as follows:

| Year                                        | Operating Leases | Capital Leases |
|---------------------------------------------|------------------|----------------|
| 1996                                        | \$ 53.2          | \$ 7.2         |
| 1997                                        | 42.4             | 7.2            |
| 1998                                        | 29.4             | 6.9            |
| 1999                                        | 26.1             | 4.4            |
| 2000                                        | 25.5             | 4.3            |
| Thereafter                                  | 57.2             | 52.0           |
| Total                                       | <u>\$233.8</u>   | <u>82.0</u>    |
| Amount representing interest                |                  | 46.9           |
| Present value of net minimum lease payments |                  | <u>\$35.1</u>  |

Capital lease obligations incurred were approximately \$2.3 million, \$7.3 million and \$5.8 million in 1995, 1994 and 1993, respectively.

#### 15. Quarterly Financial Information (Unaudited)

All adjustments necessary for a fair statement of income for each period have been included.

| Millions of Dollars Except Per Share Amounts                      | 1st       | 2nd     | 3rd     | 4th       | Total     |
|-------------------------------------------------------------------|-----------|---------|---------|-----------|-----------|
| 1995                                                              |           |         |         |           |           |
| Revenues                                                          | \$331.8   | \$334.1 | \$327.0 | \$343.2   | \$1,336.1 |
| Operating Income (Loss)                                           | \$ (80.4) | \$ 56.3 | \$ 57.1 | \$ 13.7   | \$ 46.7   |
| Income (Loss) Before Extraordinary Charge                         | \$ (59.5) | \$ 27.0 | \$ 28.7 | \$ (21.5) | \$ (25.3) |
| Net Income (Loss)                                                 | \$ (59.5) | \$ 27.0 | \$ 28.7 | \$ (28.5) | \$ (32.3) |
| Earnings (Loss) Per Share                                         | \$ (0.50) | \$ 0.41 | \$ 0.43 | \$ (0.43) | \$ (0.49) |
| 1994                                                              |           |         |         |           |           |
| Revenues                                                          | \$292.1   | \$299.8 | \$312.9 | \$323.4   | \$1,228.2 |
| Operating Income                                                  | \$ 36.7   | \$ 42.5 | \$ 43.3 | \$ 42.9   | \$ 165.4  |
| Income Before Cumulative Effect of Change in Accounting Principle | \$ 15.6   | \$ 18.7 | \$ 20.1 | \$ 21.1   | \$ 75.5   |
| Net Income                                                        | \$ 12.7   | \$ 18.7 | \$ 20.1 | \$ 21.1   | \$ 72.6   |
| Earnings Per Share                                                | \$ 0.20   | \$ 0.28 | \$ 0.31 | \$ 0.32   | \$ 1.11   |

Net income for the fourth quarter 1995 was reduced by \$61 million or \$.92 per share as a result of several special items during the quarter. These items include the expensing of acquired research and development costs, a goodwill impairment loss, charges for the termination of an interest rate and currency swap agreement, and an extraordinary charge for early extinguishment of debt. See Note 2.

Net income for the first quarter 1995 was reduced by \$84.1 million or \$1.27 per share for special charges as a result of a business restructuring at CBT and CBI as described in Note 2.

Net income for the fourth quarter 1994 was reduced by \$3.7 million or \$.06 per share from special charges. These special charges consisted of the costs for CBT's voluntary separation incentive program for certain senior managers and estimated curtailment losses from the Company's non-qualified pension plan partially offset by a reduction in the restructuring and disposal reserve as described in Note 2.

Net income for the first quarter 1994 was reduced by \$2.9 million or \$.04 per share from a change in accounting principle as described in Note 2.

## 16. Additional Financial Information

### Income Statement

| Millions of Dollars                   | Year Ended December 31 | 1995          | 1994          | 1993          |
|---------------------------------------|------------------------|---------------|---------------|---------------|
| <b>Taxes other than income taxes:</b> |                        |               |               |               |
| Property                              |                        | \$36.9        | \$39.1        | \$39.1        |
| Gross receipts                        |                        | 21.0          | 19.4          | 18.2          |
| Payroll-related                       |                        | 35.0          | 33.6          | 33.1          |
| Other                                 |                        | .8            | .7            | .6            |
| Total                                 |                        | <u>\$93.7</u> | <u>\$92.8</u> | <u>\$91.0</u> |
| <b>Interest expense:</b>              |                        |               |               |               |
| Long-term debt                        |                        | \$47.0        | \$46.2        | \$36.0        |
| Notes payable and other               |                        | 5.8           | 3.3           | 9.8           |
| Total                                 |                        | <u>\$52.8</u> | <u>\$49.5</u> | <u>\$45.8</u> |

### Balance Sheet

| Millions of Dollars                            | at December 31 | 1995            | 1994             |
|------------------------------------------------|----------------|-----------------|------------------|
| <b>Property, Plant and Equipment, net:</b>     |                |                 |                  |
| Telephone plant                                |                | \$1,503.4       | \$1,447.4        |
| Accumulated depreciation                       |                | (634.9)         | (556.0)          |
| Net telephone plant                            |                | 868.5           | 891.4            |
| Other property and equipment                   |                | 282.5           | 279.4            |
| Accumulated depreciation                       |                | (157.1)         | (134.6)          |
| Total                                          |                | <u>\$ 993.9</u> | <u>\$1,036.2</u> |
| <b>Payables and other current liabilities:</b> |                |                 |                  |
| Accounts payable and accrued liabilities       |                | \$ 201.2        | \$ 179.7         |
| Accrued taxes                                  |                | 48.0            | 61.0             |
| Advance billing and customers' deposits        |                | 40.5            | 38.8             |
| Other current liabilities                      |                | 37.5            | 35.1             |
| Total                                          |                | <u>\$ 327.2</u> | <u>\$ 314.6</u>  |

### Statement of Cash Flows

| Millions of Dollars                  | Year Ended December 31 | 1995   | 1994   |
|--------------------------------------|------------------------|--------|--------|
| <b>Cash paid for:</b>                |                        |        |        |
| Interest (net of amount capitalized) |                        | \$46.8 | \$42.6 |
| Income taxes                         |                        | \$61.6 | \$30.3 |

## 17. Cincinnati Bell Telephone Company

The following summarized financial information is for the Company's consolidated wholly owned subsidiary, Cincinnati Bell Telephone Company:

### Income Statement

| Millions of Dollars | Year Ended December 31 | 1995            | 1994           | 1993           |
|---------------------|------------------------|-----------------|----------------|----------------|
| Revenues            |                        | \$624.4         | \$599.7        | \$575.5        |
| Costs and expenses  |                        | \$630.4         | \$500.2        | \$481.9        |
| Net income (loss)   |                        | <u>\$(11.3)</u> | <u>\$ 54.8</u> | <u>\$ 59.2</u> |

### Balance Sheet

| Millions of Dollars                        | at December 31 | 1995             | 1994             |
|--------------------------------------------|----------------|------------------|------------------|
| <b>Assets</b>                              |                |                  |                  |
| Current assets                             |                | \$ 193.4         | \$ 187.9         |
| Telephone plant-net                        |                | 878.7            | 901.6            |
| Other noncurrent assets                    |                | 19.3             | 21.0             |
| Total assets                               |                | <u>\$1,091.4</u> | <u>\$1,110.5</u> |
| <b>Liabilities and Shareowner's Equity</b> |                |                  |                  |
| Current liabilities                        |                | \$ 215.6         | \$ 148.3         |
| Noncurrent liabilities                     |                | 204.3            | 195.0            |
| Long-term debt                             |                | 233.9            | 312.3            |
| Shareowner's equity                        |                | 437.6            | 454.9            |
| Total liabilities and shareowner's equity  |                | <u>\$1,091.4</u> | <u>\$1,110.5</u> |

Results for 1995 include special charges of \$121.7 million for restructuring operations which reduced net income by \$77.5 million.

Results for 1994 include \$3.6 million of special charges related to a voluntary separation incentive program for certain senior managers. These charges reduced net income by \$2.3 million. Also in 1994, net income was reduced \$2.4 million for a change in accounting for employee postemployment benefits (SFAS 112).

Results for 1993 include amounts accrued related to orders by the Federal Communications Commission (FCC) to refund to interexchange carriers earnings in excess of the FCC's target range in the 1987-1988 monitoring period. The accruals reduced network access revenues by approximately \$6.6 million and increased interest expense by approximately \$4.2 million. These charges increased net loss by approximately \$7 million. Also in 1993, a gain of approximately \$6.5 million was recognized in other income from the sale of the residential equipment leasing and PhoneCenter stores businesses.

## 18. Business Segment Information

The Company, based in Cincinnati, Ohio, operates primarily in three industry segments: Telephone Operations, Information Systems and Marketing Services. Telephone Operations provides telecommunications services and products, mainly local service, network access and toll telephone service in the Greater Cincinnati area.

Information Systems provides data processing services and software development services through long-term contracts primarily to the U.S. telecommunications industry. Marketing Services provides telephone marketing, research, fulfillment and database services to major corporations in the communications, consumer goods, technology, financial and direct response industries. The Information Systems and Marketing Services segments have minor international operations, primarily in Europe.

Capital additions include \$46.4 million and \$67.8 million of acquisitions in 1995 and 1993, respectively.

The Other category includes the Company's businesses which offer long distance and directory services. Also included in Other is a supply business that buys and sells reconditioned telecommunications and computer equipment to various industries in the U.S.

For the years ended December 31, the Company's segment information is as follows:

| Millions of Dollars                               | 1995             | 1994             | 1993             |
|---------------------------------------------------|------------------|------------------|------------------|
| <b>Revenues</b>                                   |                  |                  |                  |
| Telephone Operations                              | \$ 624.4         | \$ 599.7         | \$ 575.5         |
| Information Systems                               | 373.9            | 343.8            | 356.6            |
| Marketing Services                                | 271.1            | 226.1            | 108.2            |
| Other                                             | 133.9            | 127.2            | 121.8            |
| Corporate                                         | 2.7              | 2.4              | 2.6              |
| Intersegment                                      | (69.9)           | (71.0)           | (75.1)           |
| <b>Total</b>                                      | <b>\$1,336.1</b> | <b>\$1,228.2</b> | <b>\$1,089.6</b> |
| <b>Intersegment Revenues</b>                      |                  |                  |                  |
| Telephone Operations                              | \$ 23.0          | \$ 23.6          | \$ 25.0          |
| Information Systems                               | 39.4             | 40.5             | 46.9             |
| Marketing Services                                | 2.5              | 2.1              | .4               |
| Other                                             | 2.3              | 2.4              | 2.2              |
| Corporate                                         | 2.7              | 2.4              | 2.6              |
| <b>Total</b>                                      | <b>\$ 69.9</b>   | <b>\$ 71.0</b>   | <b>\$ 75.1</b>   |
| <b>Operating Income (Loss)</b>                    |                  |                  |                  |
| <b>As Reported</b>                                |                  |                  |                  |
| Telephone Operations                              | \$ (6.0)         | \$ 99.5          | \$ 93.6          |
| Information Systems                               | 38.5             | 27.1             | (124.6)          |
| Marketing Services                                | (7.3)            | 22.6             | 2.0              |
| Other                                             | 29.6             | 20.2             | 14.2             |
| Corporate and Eliminations                        | (8.1)            | (4.0)            | (3.9)            |
| <b>Total</b>                                      | <b>\$ 46.7</b>   | <b>\$ 165.4</b>  | <b>\$ (18.7)</b> |
| <b>Operating Income (Loss)</b>                    |                  |                  |                  |
| <b>Excluding Special Items</b>                    |                  |                  |                  |
| Telephone Operations                              | \$ 115.7         | \$ 103.1         | \$ 100.2         |
| Information Systems                               | 46.0             | 27.1             | (1.3)            |
| Marketing Services                                | 32.3             | 22.6             | 2.0              |
| Other                                             | 29.6             | 20.2             | 17.2             |
| Corporate and Eliminations                        | 1.8              | (1.9)            | (3.9)            |
| <b>Total</b>                                      | <b>\$ 225.4</b>  | <b>\$ 171.1</b>  | <b>\$ 114.2</b>  |
| <b>Assets</b>                                     |                  |                  |                  |
| Telephone Operations                              | \$1,091.4        | \$1,110.5        | \$1,091.9        |
| Information Systems                               | 268.2            | 246.4            | 293.4            |
| Marketing Services                                | 235.6            | 262.7            | 225.3            |
| Other                                             | 38.5             | 39.5             | 39.1             |
| Corporate and Eliminations                        | (42.0)           | 64.3             | 14.4             |
| <b>Total</b>                                      | <b>\$1,591.7</b> | <b>\$1,723.4</b> | <b>\$1,664.1</b> |
| <b>Capital Additions (including acquisitions)</b> |                  |                  |                  |
| Telephone Operations                              | \$ 90.3          | \$ 112.8         | \$ 111.6         |
| Information Systems                               | 47.0             | 20.2             | 40.1             |
| Marketing Services                                | 27.0             | 11.7             | 73.7             |
| Other                                             | 2.5              | 11.5             | 10.0             |
| <b>Total</b>                                      | <b>\$ 166.8</b>  | <b>\$ 156.2</b>  | <b>\$ 235.4</b>  |
| <b>Depreciation and Amortization</b>              |                  |                  |                  |
| Telephone Operations                              | \$ 113.0         | \$ 110.6         | \$ 99.2          |
| Information Systems                               | 30.3             | 26.4             | 47.0             |
| Marketing Services                                | 15.6             | 13.6             | 8.4              |
| Other                                             | 3.3              | 3.5              | 3.9              |
| <b>Total</b>                                      | <b>\$ 162.2</b>  | <b>\$ 154.1</b>  | <b>\$ 158.5</b>  |