CINCINNATI BELL INC
Form 11-K
June 25, 2009
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 30, 2008

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 1-8519

CINCINNATI BELL

RETIREMENT SAVINGS PLAN

CINCINNATI BELL INC.

221 East Fourth Street

Cincinnati, Ohio 45202

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CINCINNATI BELL RETIREMENT SAVINGS PLAN

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and Administrator of the

Cincinnati Bell Retirement Savings Plan:

We have audited the accompanying statements of net assets available for benefits of the Cincinnati Bell Retirement Savings Plan (the Plan) as of December 30, 2008 and 2007, and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 30, 2008 and 2007, and the changes in net assets available for benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 30, 2008, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan s management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2008 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ Deloitte & Touche LLP
Cincinnati, Ohio
June 24, 2009

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CINCINNATI BELL RETIREMENT SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

(DOLLARS IN THOUSANDS)

	December 30, 2008	December 30, 2007
Investments		
Investment in Master Trust	$ 107,711	$ 157,871
Participant loans	2,656	2,245
Net assets available for benefits at fair value	110,367	160,116
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	805	108
Net assets available for benefits	$ 111,172	$ 160,224

See Notes to Financial Statements.

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CINCINNATI BELL RETIREMENT SAVINGS PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 30, 2008

(DOLLARS IN THOUSANDS)

Net assets available for benefits as of December 30, 2007	$ 160,224
Contributions:	
Employee	10,027
Employer	4,845
Legal settlement	5,141
Total contributions	20,013
Investment income (losses):	
Investment losses from Master Trust	(54,316)
Interest on participant loans	198
Total investment income (losses)	(54,118)
Transfers from other Company-sponsored plans, net	806
Distributions:	
Benefits paid to participants	15,733
Administrative expense paid by the Plan	20
Total distributions	15,753
Net decrease in assets available for Plan benefits	(49,052)
Net assets available for benefits as of December 30, 2008	$ 111,172

See Notes to Financial Statements.

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CINCINNATI BELL RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

(1) Plan Description and Accounting Policies

a. **General**: The Cincinnati Bell Retirement Savings Plan (the Plan) is sponsored by Cincinnati Bell Inc. (together with its subsidiaries, the Company or Cincinnati Bell) and administered generally through the Company Employees Benefit Committee.

The Plan is, subject to certain exceptions, currently available to all employees of the Company who are not hourly employees. Hourly employees are generally defined as employees who are represented by a collective bargaining unit or whose position is otherwise subject to automatic wage progression or covered under the Cincinnati Bell Inc. Savings and Security Plan (an additional plan sponsored by the Company). Certain other classes of employees (including but not limited to co-op students, interns, temporary employees and contingency employees) are ineligible to participate in the Plan.

These Notes to Financial Statements provide a brief description of certain provisions of the Plan, but do not constitute a document under which the Plan is operated, and, in the event of any conflict between these Notes to Financial Statements and the Plan documents, the Plan documents shall control. Participants must refer to the Plan documents and to the summary plan description for further details of the Plan.

The Plan is subject to the provisions of the Internal Revenue Code of 1986, as amended (the Code), and the Employee Retirement Income Security Act of 1974, as amended (ERISA).

The financial statements of the Plan are prepared under the accrual method of accounting in accordance with the accounting principles generally accepted in the United States of America. The Plan s fiscal year (the plan year) begins each December 31 and ends the following December 30. The Plan s trustee is Fidelity Management Trust Company (together with its affiliates, Fidelity).

In accordance with Financial Accounting Standards Board Staff Position AAGINV-1 and Statement of Position No. 94-4-1, Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined Benefit Contribution Health and Welfare and Pension Plans, the Statement of Net Assets Available for Benefits presents the fair value of the Plan s investments as well as the adjustment from fair value to contract value for fully benefit-responsive investment contracts. The Statement of Changes in Net Assets Available for Benefits is presented on a contract value basis for the fully benefit-responsive investment contracts.

Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements, was issued in September 2006. The objective of the Statement is to define fair value, establish a framework for measuring fair value and expand disclosures about fair value measurements. The Plan adopted the provisions of SFAS No. 157 related to financial instruments as of December 31, 2007. The effect of the adoption of SFAS No. 157 had no impact on the Statements of Net Assets Available for Benefits and Statement of Changes in Net Assets Available for Benefits.

b. **Employee Contributions**: Upon commencement of employment by the Company, the Plan generally permits each participant to contribute each pay period, in before-tax dollars, any amount that is a whole percent up to a maximum of 75% of the participant s plan compensation. A participant s plan compensation for each plan year is only considered up to a certain legal limit, which was $225,000 for the plan year ended December 30, 2008.

The Plan provides for newly eligible participants to be automatically enrolled into the Plan and contribute 3% of their plan compensation, which is invested in the Plan s default investment option, an age specific Vanguard Target Retirement Fund. Plan participants may elect to change their contribution and investment elections or discontinue participation in the Plan at any time.

CINCINNATI BELL RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

The amount of a participant s contributions for any calendar year generally cannot exceed $15,500, the legal limit in 2008. If the participant is age 50 or older by the end of the calendar year, the participant is also allowed to make additional before-tax contributions up to $5,000, the legal limit in 2008.

Participant contributions are allocated to the participant s account under the Plan (Plan account). A participant is always fully vested in the part of the Plan account attributable to employee contributions.

A participant is generally not subject to federal income tax on the amount of employee contributions to the Plan or on the Plan s earnings on those contributions until the amounts are distributed from the Plan to the participant.

c. **Employer Contributions**: Under the terms of the Plan and for fiscal year 2008, the Company made matching contributions in an amount, for each pay period, equal to the sum of: (i) 100% of the portion of the participant s contributions to the Plan for such pay period that are not in excess of 3% of his or her plan compensation for such pay period, and (ii) 50% of the portion of his or her contributions for such pay period that are in excess of 3% but not in excess of 5% of the participant s plan compensation for that pay period. See Note 9 for further discussion of changes to the Company matching contribution in 2009. Matching contributions are generally made on a bi-weekly basis under the current practice of the Company and must be made by the end of the first full month that ends after the participants related contributions are made.

The Company s matching contributions for a participant are allocated to the participant s Plan account. In general, a participant is fully vested in the part of the Plan account attributable to the Company s matching contributions.

The Company may determine, at its sole discretion, whether it shall contribute to the Plan an additional amount for any plan year, and, if so, the amount of the contribution. No such contribution has ever been made by the Company for any plan year. Any such contribution that is made by the Company shall be allocated to participants who are employed by the Company on the last day of the plan year, in proportion to each such participant s plan compensation for the plan year. A participant is fully vested in the part of the Plan account attributable to the Company s discretionary contributions.

A participant is generally not subject to federal income tax on the amount of the matching and discretionary contributions or on the Plan s earnings on these contributions until the amounts are distributed from the Plan to the participant.

d. **Rollovers**: A participant may elect to rollover to the Plan an otherwise taxable distribution from another employer s tax-qualified savings, profit sharing, or other employer plan, if the distribution meets certain conditions set forth in the Plan and the Code.

Any rollover contributions are allocated to the participant s Plan account. A participant is always fully vested in the part of the Plan account attributable to rollover contributions.

A participant is generally not subject to federal income tax on the rollover contributions or on the earnings on the rollover contributions until the amounts are distributed from the Plan to the participant.

e. **Employee-Directed Investments**: A participant can specify the manner in which contributions made by or for the participant to the Plan shall be invested in the available funds under the Plan and may elect to change the funds to which future contributions are allocated and transfer amounts held in the participant s Plan account from one fund to another.

f. **Distributions to Participants**: A participant, only in certain circumstances, may receive a distribution of all or a portion of the Plan account while employed by the Company.

In general, a participant, while still employed by the Company, may withdraw, for any reason, the part of the Plan account attributable to: after-tax contributions (prior to December 20, 2004, the Plan accepted

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CINCINNATI BELL RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

after-tax contributions); rollover contributions; and Company s matching contributions made for plan years that ended before December 31, 2000.

Further, a participant, while still employed by the Company, can withdraw amounts that are attributable to before-tax contributions if the withdrawal is required by reason of the participant s hardship situation, which meets the rules set forth in the Plan concerning hardship withdrawals, or if the participant has reached at least age 59 $^1/2$. Any hardship withdrawal does not include the earnings on before-tax contributions that were allocated after December 31, 1988.

Other than for the withdrawals described above, the distribution of a participant s Plan account will generally occur only after the participant s employment with the Company has terminated for any reason, including retirement, discharge, termination, disability, or death.

If the value of the participant s Plan account is $1,000 or less, the participant s account can be distributed, within a reasonable administrative period, in a lump sum and without the consent of the participant after the participant s employment with the Company ends for any reason.

g. **Employee Loans**: Loans are available from the Plan to participants under the current provisions and policies of the Plan. Loans are subject to several conditions, certain of which are described below.

A participant cannot have more than two outstanding loans from the Plan at any time. The minimum amount of any loan to a participant is $1,000, while the maximum amount cannot exceed the lesser of (i) 50% of the vested balance of the participant s Plan account excluding the amount of such account that is attributable to the participant s contributions which were matched and the associated matching contributions from the Company for the plan year of the loan and the two immediately preceding plan years and income earned after 1988 on the participant s before-tax contributions or (ii) $50,000 reduced by the highest outstanding balance of loans made to the participant from the Plan and other plans of the Company during the one year period preceding the new loan date.

The Company Employees Benefit Committee determines the interest rate charged by the Plan on a loan made to a participant. In general, the interest rate is based on the prime rate plus 1.0% at the time the loan is made. As of December 30, 2008, interest rates on loans made under the Plan ranged between 4.3% and 10.5% per annum. For the Plan year ended December 30, 2008, a participant also pays to Fidelity a $35 origination fee for processing a new Plan loan and a $15 annual maintenance fee for the life of the loan.

In general, any loan to a participant must be repaid through payroll deductions and be collateralized by up to 50% of the participant s Plan account. The minimum term of any loan to a participant is 6 months, and the maximum term of a loan is 60 months. A participant may extend the term of the loan to a maximum of 30 years, if the loan is acquired to provide the participant with funds to purchase a primary residence.

h. **Investments**: As of December 30, 2008, the following funds were available for investment under the Plan:

American Funds EuroPacific Growth Fund

Cincinnati Bell Inc. Common Stock Fund*

Fidelity Growth Company Fund*

Fidelity International Discovery Fund*

Fidelity Managed Income Portfolio II Fund*

Fidelity Mid-Cap Stock Fund*

Fidelity U.S. Equity Index Commingled Pool Fund*

LKCM Small Cap Equity Fund

PIMCO Total Return Fund

Vanguard Balanced Index Fund

Vanguard Mid-Cap Value Index Fund

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Vanguard Target Retirement 2010 Fund

Vanguard Target Retirement 2015 Fund

Vanguard Target Retirement 2020 Fund

Vanguard Target Retirement 2025 Fund

Vanguard Target Retirement 2030 Fund

Vanguard Target Retirement 2035 Fund

Vanguard Target Retirement 2040 Fund

Vanguard Target Retirement 2045 Fund

Vanguard Target Retirement 2050 Fund

Vanguard Target Retirement Income Fund

Vanguard Windsor II Fund

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* Party-in-interest funds

Purchases and sales of securities are reflected as of the trade date. Dividend income is recorded on the ex-dividend date. Income from other investments is recorded on an accrual basis.

Management fees and operating expenses charged to the Plan for investments in the mutual funds are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees and operating expenses are reflected as a reduction of investment return for such investments.

i.

Administrative Expenses: Administrative expenses of the Plan that are not clearly related to a specific investment fund are generally paid by the Company. However, the Plan permits certain of these expenses to be paid from the Plan assets and allocated and charged to each participant s account based on the proportion that such participant s account balance bears to all account balances under the Plan.

j. **Use of Estimates**: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Plan to make estimates and assumptions that affect the reported amounts of Net Assets Available for Benefits and the reported Changes in Net Assets Available for Benefits during the reporting period. Actual results could differ from these estimates.

k. **Transfer to/from Other Plans**: If a Plan participant becomes a participant of the Cincinnati Bell Inc. Savings and Security Plan, another defined contribution plan sponsored by the Company, or if a participant of the Cincinnati Bell Inc. Savings and Security Plan becomes a participant of the Plan, the Plan account balance is generally transferred to and assumed by the recipient plan. These transfers are included in Transfers from other Company-sponsored plans, net on the Statement of Changes in Net Assets Available for Benefits.

(2) Fair Value Measurements

The Plan s investments are stated at fair value. Each fund investment of the Plan is valued using the quoted market prices of the shares of each applicable mutual or other fund. The value of the Plan s Cincinnati Bell Inc. Common Stock Fund was determined by the ending share values as last published by the New York Stock Exchange on December 30, 2008. Common collective trust funds are stated at fair value as determined by the issuer of the common collective trust funds based on the fair market value of the underlying investments. Common collective trust funds with underlying investments in investment contracts are valued at the fair market value of the underlying investments and then adjusted to contract value. The fair value of loans to participants made by the Plan as of December 30, 2008 and 2007 approximates carrying value.

SFAS No. 157 established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

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CINCINNATI BELL RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

Level 1 - Observable inputs for identical instruments such as quoted market prices;

Level 2 - Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs); and

Level 3 - Unobservable inputs that reflect the Company s determination of assumptions that market participants would use in pricing the asset or liability. These inputs are developed based on the best information available, including the Company s own data.

At December 30, 2008, the fair value and its placement in the fair value hierarchy of the underlying assets of the Cincinnati Bell Retirement Savings Plans Master Trust (the Master Trust) that are required to be measured at fair value on a recurring basis are as follows:

(dollars in thousands)	**December 30, 2008**	**Level 1**	**Level 2**	**Level 3**
Mutual funds and commingled funds	$ 117,424	$ 108,183	$ 9,241	$
Common shares of Cincinnati Bell Inc.	9,468	9,468		
Common collective trust	32,543		32,543	
Total	$ 159,435	$ 117,651	$ 41,784	$

At December 30, 2008, the fair value and its placement in the fair value hierarchy of the participant loans in the Plan that are required to be measured at fair value on a recurring basis is as follows:

(dollars in thousands)	**December 30, 2008**	**Level 1**	**Level 2**	**Level 3**
Participant loans	$ 2,656	$	$	$ 2,656

As required by SFAS No. 157, for the year ended December 30, 2008, the Plan s Level 3 investments, which include solely participant loans, had the following changes as shown below:

(dollars in thousands)	
Balance, beginning of year	$ 2,245
Purchases, sales, issuances and settlements, net	411
Balance, end of year	$ 2,656

(3) Interest in Master Trust

At December 30, 2008 and 2007, the Plan s assets were held by the Master Trust. The Master Trust holds only the assets of the Plan and the Cincinnati Bell Inc. Savings and Security Plan.

The purpose of the Master Trust is the collective investment of assets of the Plan and the Cincinnati Bell Inc. Savings and Security Plan (collectively the Savings Plans). Master Trust assets are allocated to the Savings Plans by assigning to each plan those transactions (primarily contributions and benefit payments) which can be specifically identified to that Savings Plan. Net investment income, gains and losses, and expenses resulting from the collective investment of the assets are allocated to the Savings Plans in proportion to the fair value of the assets allocated to the Savings Plans.

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CINCINNATI BELL RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

As of December 30, 2008 and 2007, the Plan s percentage of assets held in the Master Trust was 68% and 65%, respectively. The following table presents the fair value of the total investments held by the Master Trust, excluding participant loans, in which the Plan invests:

	December 30,	
(dollars in thousands)	**2008**	**2007**
Mutual funds and commingled funds	$ 149,967	$ 208,673
Common shares of Cincinnati Bell Inc.	9,468	24,030
Common shares of Convergys Corporation		9,999
Net assets available to participating plans at fair value	$ 159,435	$ 242,702
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	1,321	189
Net assets available to participating plans	$ 160,756	$ 242,891

In September 2008, any remaining balance in the Convergys Corporation Common Stock Fund was transferred to the Plan s default investment option, an age specific Vanguard Target Retirement Fund.

During the plan year ended December 30, 2008, realized and unrealized losses and interest and dividends on investments held by the Master Trust were as follows:

	Loss on Investments		Interest and
(dollars in thousands)	**Realized**	**Unrealized**	**Dividends**
Mutual funds and commingled funds	$ (20,037)	$ (53,367)	$ 6,013
Common shares of Cincinnati Bell Inc.	(1,354)	(11,444)	7
Common shares of Convergys Corporation	(1,127)		
	$ (22,518)	$ (64,811)	$ 6,020

The Plan s portion of the losses on the Master Trust s investments and investment income for the plan year ended December 30, 2008 was as follows:

	Loss on Investments		Interest and
(dollars in thousands)	**Realized**	**Unrealized**	**Dividends**
Mutual funds and commingled funds	$ (13,517)	$ (37,434)	$ 4,096
Common shares of Cincinnati Bell Inc.	(722)	(6,199)	3
Common shares of Convergys Corporation	(543)		
	$ (14,782)	$ (43,633)	$ 4,099

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NOTES TO FINANCIAL STATEMENTS

The Plan s share of the investments held in the Master Trust as of December 30, 2008 and 2007 that individually represent 5 percent or more of the Plan s net assets was as follows:

	December 30,	
(dollars in thousands)	**2008**	**2007**
Fidelity Managed Income Portfolio II Fund	$ 20,643	$ 14,327
Vanguard Windsor II Fund	13,739	24,281
PIMCO Total Return Fund	11,498	*
American Funds EuroPacific Growth Fund	9,396	16,011
Fidelity Growth Company Fund	8,958	13,894
Fidelity Mid-Cap Stock Fund	8,342	16,897
Fidelity U.S. Equity Index Commingled Pool Fund	6,382	10,645
Vanguard Mid-Cap Value Index Fund	5,396	*
Cincinnati Bell Inc. Common Stock Fund	*	12,433
Lord Abbett Mid-Cap Value Fund	*	10,156
Fidelity U.S. Bond Index Fund	*	8,739
Fidelity International Discovery Fund	*	7,862

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* Investments did not equal 5% or more of the Plan s net assets.

(4) Amendment or Termination of the Plan

While the Company has not expressed any intent to terminate the Plan, it reserves the right to amend or terminate the Plan at any time. In the event of the termination of the Plan, all affected participants accounts would become 100% vested.

(5) Tax Status

The Internal Revenue Service issued on October 15, 2002, a favorable determination that the Plan meets the requirements of Section 401(a) of the Code and is exempt from federal income taxes under Section 501(a) of the Code. Such determination letter did not involve a review of the effect on the Plan of certain recent tax laws that have become effective after 2001. The Plan administrator believes that the Plan is designed and has been operated in compliance with the applicable requirements of such recent tax laws.

(6) Related Party Transactions

The Plan invests in the Master Trust, and the Master Trust s investments include shares of Cincinnati Bell Inc. common stock and shares of mutual funds managed by Fidelity. Cincinnati Bell is the sponsor and administrator of the Plan, and Fidelity is the Plan s trustee. Therefore, these investments qualify as party-in-interest transactions. Fees paid by the Plan to these parties-in-interest for the plan year were $19,702.

The amount of common stock of Cincinnati Bell Inc. held in the Master Trust for the Plan was 2,713,222 and 2,696,422 shares with a cost basis of $15,969,051 and $17,815,637 at December 30, 2008 and 2007, respectively.

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CINCINNATI BELL RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

(7) Contingencies

Between November 18, 2002 and March 17, 2003, five putative class action lawsuits, which were consolidated, were filed against the Company (which was then named Broadwing Inc.) and certain of its current and former officers and directors in the United States District Court for the Southern District of Ohio. Fidelity Management Investment Trust Company was also named as a defendant in these actions.

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

On February 22, 2006, the Company entered into a Stipulation and Agreement of Settlement of ERISA Actions (the Agreement) providing for the settlement of the consolidated case with no finding or admission of any wrongdoing by any of the defendants in the lawsuit. Under the Agreement, defendants were obligated to pay $11 million, which payment has been made on their behalf by their insurers, to a fund to settle the claims of, and obtain a release of all claims from the class members. On October 5, 2006, the Court issued a final order approving the Stipulation and Agreement of Settlement as submitted by the parties. Accordingly, this case has been dismissed with prejudice.

Administrators, appointed by the plaintiffs counsel, allocated the settlement proceeds (after deducting plaintiffs attorneys fees, the costs of an independent fiduciary employed to act on behalf of the Savings Plans, and the other costs of the administration of the Agreement) among persons who were in the class of persons on whose behalf the cases were purportedly brought based on a prescribed calculation in the Agreement. Under the Agreement, such persons received a percentage of the net settlement proceeds equal to their share of such total loss of the Savings Plans arising from the investment in the Company s stock (as such loss was determined and agreed to for purposes of the Agreement). The net settlement proceeds were paid directly to the accounts of the Savings Plans in April 2008. Settlement proceeds for former Plan participants were paid out to such participants in the form of distributions. The Plan s portion of the proceeds is shown in Legal settlement in the Statements of Changes in Net Assets Available for Benefits.

(8) Concentrations, Risks, and Uncertainties

The Master Trust has a significant concentration of investments in Cincinnati Bell Inc. common stock. A change in the value of the stock could cause the value of the Plan s net assets to change significantly due to this concentration.

The Plan provides for various investment options in money market funds, mutual funds, commingled funds, and Cincinnati Bell Inc. common stock. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and those changes could materially affect the amounts reported in the Statements of Net Assets Available for Benefits.

(9) Subsequent Event

In May 2009, the Company announced that, effective with the payroll period beginning June 7, 2009, Company matching contributions will be suspended for Plan participants who are not represented by a collective bargaining unit until further notice and at least for the balance of 2009.

Beginning with the plan year ending on December 30, 2009, the amount of a participant s before-tax contributions and matching contributions for any plan year may be further limited when the participant is considered a highly compensated employee under legal rules, pursuant to certain legal nondiscrimination requirements that are intended to prevent highly compensated participants making before-tax contributions and receiving matching contributions

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that on average (measured as a percent of their plan compensation) are far beyond the before-tax contributions and matching contributions that on average are made by and for participants who are not highly compensated.

(10) Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500: