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LELAND B. CURTIS

FILED

AUG 3 1999

August 2, 1999

Missouri Public
Service Commission

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
Truman State Office Building, 5th Floor
301 West High Street
Jefferson City, MO 65101

TM-2000-85

RE: Joint Application for Approval of a Transfer of Control of Eclipse Telecommunications, Inc., IXC Communications Services, Inc. and Telecom One, Inc. to Cincinnati Bell Inc.

Dear Judge Roberts:

Enclosed for filing is one original and fifteen copies of the Joint Application for Approval of a Transfer of Control of Eclipse Telecommunications, Inc., IXC Communications Services, Inc. and Telecom One, Inc. to Cincinnati Bell Inc.

Please stamp "filed" on the extra copy and return the copy to me in the enclosed self-addressed stamped envelope.

Thank you for bringing this matter to the attention of the Commission.

Very truly yours,



Leland B. Curtis

LBC:tm

cc: Parties of Record

FILED

AUG 3 1999

Missouri Public
Service Commission

Before the
MISSOURI PUBLIC SERVICE COMMISSION

Joint Application for Approval of)
a Transfer of Control of Eclipse)
Telecommunications, Inc., IXC)
Communications Services, Inc. and)
Telecom One, Inc. to Cincinnati Bell Inc.)

Docket No. TM-2000-85

JOINT APPLICATION

COMES NOW Eclipse Telecommunications, Inc. ("Eclipse"), IXC

Communications Services, Inc. ("IXC-CSI") and Telecom One, Inc. ("Telecom One") and Cincinnati Bell Inc. ("CBI") (referred to jointly as the "Parties"), by their attorneys, and hereby request approval from the Missouri Public Service Commission ("Commission"), pursuant to Section 392.300.1 RSMo. and 4 CSR 240-2.060(6), for the transfer of control of Eclipse, IXC-CSI and Telecom One to CBI. Eclipse, IXC-CSI and Telecom One hold Certificates of Service to provide telecommunications services in Missouri.

As set forth in greater detail below, CBI has entered into an agreement with IXC Communications, Inc. ("IXC"), the ultimate corporate parent of Eclipse, IXC-CSI, and Telecom One whereby IXC will be acquired by CBI in a merger transaction and will become a structurally separate, wholly-owned subsidiary of CBI. Eclipse and Telecom One have previously applied for Commission approval of a proposed merger of Telecom One with Eclipse.¹ After the acquisition, and once Commission approval of the proposed merger of Telecom One with Eclipse has been

¹ On June 23, 1999, in Case No. TM-99-605, Eclipse and Telecom One jointly applied for Commission approval by November 1, 1999 of the proposed merger of Telecom One into Eclipse. That application is still currently pending. Commission consideration of the proposed Eclipse/Telecom One merger need not be delayed by the instant filing. However, if the Commission wishes that the Eclipse/Telecom One case be consolidated with the instant filings the parties will move for consolidation.

obtained, both Eclipse and IXC-CSI will continue to operate under their own authorizations, and will continue to provide telecommunications services to current customers under existing service arrangements.

The Parties respectfully request approval of this transaction as soon as practicable, so that the proposed transaction may be completed by November 30, 1999. In support thereof, the Parties state:

1. **THE PARTIES**

a. **Eclipse Telecommunications, Inc.**

Eclipse, a Delaware corporation, maintains its headquarters at 1122 Capital of Texas Highway South, Austin, Texas 78746-6426. Eclipse is a wholly owned subsidiary of IXC Communications Services, Inc. ("IXC-CSI"). IXC-CSI, in turn, is a wholly owned subsidiary of IXC Communications, Inc. ("IXC"), whose stock is publicly traded on the NASDAQ Stock Market. Eclipse currently operates as a reseller of intrastate interexchange services in forty-eight states, including Missouri. Eclipse received its authority to provide telecommunications services in Missouri on November 19, 1993, in Case No. TA-93-296, under the name Network Long Distance, Inc. As the Commission was previously notified, Network's name was later changed to Eclipse. Eclipse also provides interstate and international telecommunications services pursuant to authority of the Federal Communications Commission ("FCC"). Information concerning Eclipse's legal, technical, managerial and financial qualifications to provide telecommunications services was filed with Eclipse's application for certification, filed with this Commission in Case No. TA-93-296, and is incorporated herein by reference. Current financial information for IXC, the ultimate parent corporation of Eclipse, is attached hereto as Exhibit "B."

b. IXC Communications Service, Inc.

IXC-CSI, a Delaware corporation, maintains its headquarters at 1122 Capital of Texas Highway South, Austin, Texas 78746. IXC-CSI is a wholly owned subsidiary of IXC. IXC-CSI currently provides intrastate interexchange services in forty-eight states, including Missouri. IXC-CSI received its authority to provide telecommunications services in Missouri on August 11, 1995, in Case No. TA-95-387, under the name IXC Long Distance, Inc. ("IXC-LD"). As the Commission was previously notified, IXC-LD's name was later changed to IXC-CSI. IXC-CSI also provides interstate and international telecommunications services pursuant to authority of the FCC. Information concerning IXC-CSI's legal, technical, managerial and financial qualifications to provide telecommunications services was filed with its application for certification, filed with this Commission in Case No. TA-95-387, and is incorporated herein by reference. Current financial information for IXC, IXC-CSI's parent corporation, is attached hereto as Exhibit "B."

c. Telecom One, Inc.

Telecom One, a Delaware corporation, maintains its headquarters at 1100 Jorie Boulevard, Suite 215, Oak Brook, Illinois 60521. Telecom One is also a wholly owned subsidiary of IXC-CSI. Telecom One currently operates as a reseller of intrastate interexchange services in twenty-seven states, including Missouri. Telecom One received its authority to provide telecommunications services in Missouri on April 27, 1994, in Case No. TA-94-266. Telecom One also provides interstate and international telecommunications services pursuant to authority of the FCC. Information concerning Telecom One's legal, technical, managerial and financial qualifications to provide telecommunications services was filed with Telecom One's

application for certification, filed with this Commission in Case No. TA-94-266, and is incorporated herein by reference. Current financial information for IXC, the ultimate parent corporation of Telecom One, is attached hereto as Exhibit "B."

d. Cincinnati Bell Inc.

CBI, an Ohio corporation, is a diversified telecommunications services holding company. CBI's subsidiaries offer varied products and services such as local and long distance telecommunications services; directory services; data networking and transport; Internet access; digital wireless PCS; and e-commerce services. One of CBI's subsidiaries, Cincinnati Bell Long Distance Inc. ("CBLD"), currently operates as a reseller of intrastate interexchange services in Missouri. CBLD received its authority to provide telecommunications services in Missouri on August 29, 1996, in Case No. TA-97-17. CBI is financially well qualified to consummate the proposed acquisition of IXC. Current financial information for CBI is attached hereto as Exhibit "A." In addition, in connection with the proposed business combination, Oak Hill Capital Partners, L.P., an investment partnership founded by Robert M. Bass, is purchasing \$400 million of CBI 6.75% convertible subordinated notes due 2009.

2. DESIGNATED CONTACTS

The designated contacts for questions concerning the application are:

Missouri Counsel for CBI, Eclipse, IXC-CSI and Telecom One:

Leland B. Curtis
Curtis, Oetting, Heinz, Garret & Soule
130 South Bemiston, Suite 200
St. Louis, Missouri 63105
Telephone: (314) 725-8788
Facsimile: (314) 725-8789

For CBI:

Thomas E. Taylor
Christopher J. Wilson
Cincinnati Bell Inc.
201 East Fourth Street
Cincinnati, Ohio 45201
Telephone: (513) 397-6351
Facsimile: (513) 397-9557

For Eclipse, IXC-CSI and Telecom One:

James E. Magee
Kristie Stokes Hassett
Reboul, MacMurray, Hewitt,
Maynard & Kristol
1111 19th Street, N.W.
Suite 406
Washington, D.C. 20036
Telephone: (202) 429-0004
Facsimile: (202) 429-8743

3. **REQUEST FOR PERMISSION TO TRANSFER CONTROL OF ECLIPSE AND IXC-CSI**

The Parties seek authority to transfer control of Eclipse, IXC-CSI and Telecom One to CBI. On July 20, 1999, CBI, Ivory Merger, Inc. (a wholly owned subsidiary of CBI) and IXC executed an Agreement and Plan of Merger ("Agreement") pursuant to which IXC, the ultimate parent corporation of Eclipse, IXC-CSI and Telecom One, will become a wholly owned subsidiary of CBI after requisite regulatory approvals have been obtained.² The proposed transaction is also subject to the approval of the shareholders of IXC, the approval of the shareholders of CBI with respect to the shares of CBI common stock issuable in the merger to IXC shareholders, and certain other customary conditions. To accomplish the acquisition, CBI

² A copy of the Agreement is attached hereto as Exhibit "C."

has formed a wholly-owned subsidiary, Ivory Merger, Inc. ("Merger Inc."). At the closing of the proposed transaction, Merger Inc. will be merged with and into IXC. IXC will be the surviving corporation in the merger with Merger Inc., and the directors of Merger Inc. immediately prior to the effective time of the merger will constitute the new Board of Directors of IXC. In the merger, (i) each issued and outstanding share of IXC common stock (other than shares to be canceled in accordance with Section 2.01(b) of the Agreement) will be converted into the right to receive 2.0976 fully paid and nonassessable shares of CBI common stock; and (ii) each issued and outstanding share of capital stock of Merger Inc. will be converted into and become one fully paid and nonassessable share of common stock of the surviving corporation. A diagram of the proposed merger is attached hereto as Exhibit "D".

The transfer of control of Eclipse and IXC-CSI to CBI will be made in a seamless fashion that will not adversely affect the provision of telecommunications services in Missouri. Following consummation of the merger, and Commission approval of the proposed merger of Telecom One with Eclipse, Eclipse and IXC-CSI will continue to be wholly owned subsidiaries of IXC. The day-to-day operations of Eclipse and IXC-CSI will not be affected adversely by the merger. Eclipse and IXC-CSI will continue to operate and will remain the holders of their authorizations. Eclipse's and IXC-CSI's current customers will not be affected adversely by the proposed acquisition. Eclipse and IXC-CSI will continue respectively to provide services to customers under existing service arrangements. Because the Parties involved in this transaction are competitive telecommunications companies, they do not need to comply with subparagraphs (A) through (E) of 4 CSR 240.2.060(6). [See subparagraph (H) of 4 CSR 240-2.060(6).]

4. PUBLIC INTEREST ANALYSIS

The transfer of control described above is clearly in the public interest. The proposed transaction will bring together CBI and IXC to create a strong company with a national presence, whose operating subsidiaries will be well positioned to provide customers with the most technologically advanced and competitive services in the rapidly evolving telecommunications industry. Combining the resources and expertise of CBI and IXC will result in a financially stronger parent company for IXC-CSI and Eclipse, enabling them to strengthen their competitive positions in the interexchange marketplace in Missouri and elsewhere. The transaction will also combine the complementary management skills, background and experience of CBI and IXC, allowing Eclipse and IXC-CSI to capitalize and build on the diverse expertise of their new parent corporation. In sum, the proposed transfer of control will benefit the public interest by enhancing the ability of IXC-CSI and Eclipse to offer a full range of competitively priced services in the interexchange marketplace, thereby further invigorating competition in Missouri. The merger will have no impact on the tax revenues of any political subdivision of the State of Missouri.

CONCLUSION

WHEREFORE, the Parties respectfully request the Commission to expeditiously grant approval of the transaction described above, allowing the proposed transfer of control of Eclipse Telecommunications, Inc., IXC Communications Services, Inc. and Telecom One, Inc. to Cincinnati Bell Inc.

Respectfully submitted,

By: Leland B. Curtis
Leland B. Curtis, #20550
Curtis, Oetting, Heinz, Garrett & Soule
130 South Bemiston, Suite 200
St. Louis, Missouri 63105
Telephone: (314) 725-8788
Facsimile: (314) 725-8789

Of Counsel:

Thomas E. Taylor
Christopher J. Wilson
Cincinnati Bell Inc.
201 East Fourth Street
Cincinnati, Ohio 45201
For Cincinnati Bell Inc.

James E. Magee
Kristie Stokes Hassett
Reboul, MacMurray, Hewitt,
Maynard & Kristol
1111 19th Street, N.W.
Suite 406
Washington, D.C. 20036
For Eclipse Telecommunications, Inc.,
IXC Communications Services, Inc. and
Telecom One, Inc.

August 3, 1999

CERTIFICATE OF SERVICE

A true and correct copy of the foregoing Application was mailed by U.S. Mail, postage prepaid, this 2d day of Aug, 1999, to:

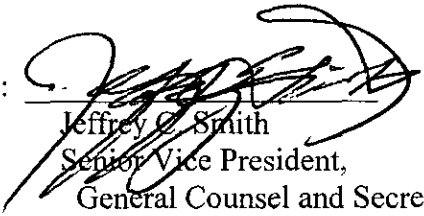
Office of Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

Leland B. Curtis
Leland B. Curtis

VERIFICATION

STATE OF TEXAS)
)
) SS
COUNTY OF TRAVIS)
)

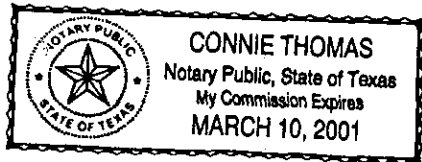
I, Jeffrey C. Smith, declare under penalty of perjury that I am Senior Vice President, General Counsel and Secretary of Eclipse Telecommunications, Inc., applicant in the subject proceeding; that I have read the foregoing Joint Application and exhibits and know the contents thereof; that the same are true of my own knowledge, except as to the matters which are therein stated on information or belief, and as to those matters I believe them to be true.

By: 
Jeffrey C. Smith
Senior Vice President,
General Counsel and Secretary

Subscribed and sworn to before me
this 29th day of July, 1999

Connie Thomas
Notary Public

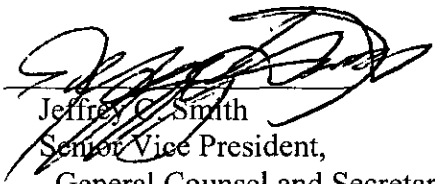
My Commission Expires: March 10, 2001



VERIFICATION

STATE OF TEXAS)
)
) ss
COUNTY OF TRAVIS)
_____)

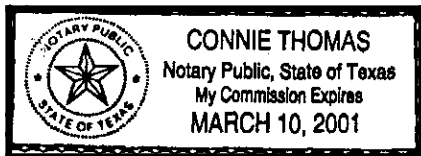
I, Jeffrey C. Smith, declare under penalty of perjury that I am Senior Vice President, General Counsel and Secretary of IXC Communications Services, Inc., applicant in the subject proceeding; that I have read the foregoing Joint Application and exhibits and know the contents thereof; that the same are true of my own knowledge, except as to the matters which are therein stated on information or belief, and as to those matters I believe them to be true.

By: 
Jeffrey C. Smith
Senior Vice President,
General Counsel and Secretary

Subscribed and sworn to before me
this 29th day of July, 1999

Connie Thomas
Notary Public

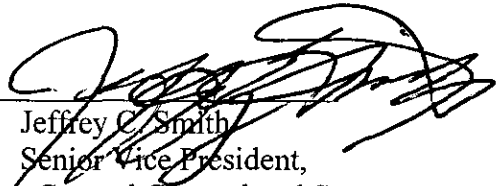
My Commission Expires: March 10, 2001



VERIFICATION

_____)
STATE OF TEXAS)
)
) SS
COUNTY OF TRAVIS)
_____)

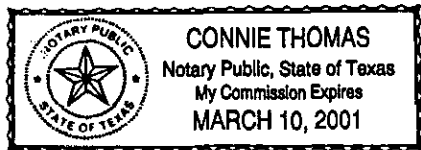
I, Jeffrey C. Smith, declare under penalty of perjury that I am Senior Vice President, General Counsel and Secretary of Telecom One, Inc., applicant in the subject proceeding; that I have read the foregoing Joint Application and exhibits and know the contents thereof; that the same are true of my own knowledge, except as to the matters which are therein stated on information or belief, and as to those matters I believe them to be true.

By: 
Jeffrey C. Smith
Senior Vice President,
General Counsel and Secretary

Subscribed and sworn to before me
this 29th day of July, 1999

Connie Thomas
Notary Public

My Commission Expires: March 10, 2001



VERIFICATION

_____))
STATE OF OHIO))
_____)) ss
COUNTY OF HAMILTON))
_____))

I, Thomas E. Taylor, declare under penalty of perjury that I am General Counsel and Secretary of Cincinnati Bell Inc., applicant in the subject proceeding; that I have read the foregoing Joint Application and exhibits and know the contents thereof; that the same are true to the best of my knowledge, except as to the matters which are therein stated on information or belief, and as to those matters I believe them to be true.

By: Thomas E. Taylor
Thomas E. Taylor
General Counsel and Secretary

Subscribed and sworn to before me
this 29 day of July, 1999

Susan D. McClarnon
Notary Public

SUSAN D. McCLARNON
Notary Public, State of Ohio
My Commission Expires March 16, 2003

My Commission Expires: _____



EXHIBIT A
FINANCIAL INFORMATION

CINCINNATI BELL INC.

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the fiscal year ended December 31, 1998

OR

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

For the transition period from to

Commission file number 1-8519

CINCINNATI BELL INC.

An Ohio Corporation

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

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

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

Table with 2 columns: Title of each class, Name of each exchange on which registered. Includes Common Shares and Preferred Share Purchase Rights.

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

At February 26, 1999, there were 137,357,138 common shares outstanding.

At February 26, 1999, the aggregate market value of the voting shares owned by non-affiliates was \$2,698,300,873.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934... Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ()

DOCUMENTS INCORPORATED BY REFERENCE

- (1) Portions of the registrant's annual report to security holders for the fiscal year ended December 31, 1998 (Parts I, II and IV)
- (2) Portions of the registrant's definitive proxy statement dated March 24, 1999 issued in connection with the annual meeting of shareholders (Part III)

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the fiscal year ended December 31, 1998

OR

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

For the transition period from to

Commission file number 1-8519

CINCINNATI BELL INC.

An Ohio Corporation

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

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

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

Table with 2 columns: Title of each class, Name of each exchange on which registered. Rows include Common Shares and Preferred Share Purchase Rights.

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

At February 26, 1999, there were 137,357,138 common shares outstanding.

At February 26, 1999, the aggregate market value of the voting shares owned by non-affiliates was \$2,698,300,873.

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

Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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See page 11 for "Executive Officers of the Registrant".

This report contains trademarks, service marks and registered marks of the Company and its subsidiaries, as indicated.

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 SAFE HARBOR CAUTIONARY STATEMENT

Form 10-K contains "forward-looking" statements, as defined in the Private Securities Litigation Reform Act of 1995, that are based on current expectations, estimates and projections. Statements that are not historical facts, including statements about the beliefs and expectations of the Company

and its subsidiaries, are forward-looking statements. These statements involve potential risks and uncertainties and, therefore, actual results may differ materially. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they were made. The Company does not undertake any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Important factors that may affect these expectations include, but are not limited to: changes in the overall economy; changes in competition in markets in which the Company and its subsidiaries operate; advances in telecommunications technology; changes in the telecommunications regulatory environment; changes in the demand for the services and products of the Company and its subsidiaries; the ability of the Company and its subsidiaries to introduce new service and product offerings in a timely and cost effective basis; failure of the Company and its subsidiaries to achieve Year 2000 compliance; and start-up of the Company's digital wireless communications services business.

PART I

ITEM I. BUSINESS

GENERAL

Cincinnati Bell Inc. (the "Company" or "Cincinnati Bell") is a diversified telecommunications services holding company that is organized on the basis of products and services. The Company's segments are strategic business units that offer distinct products and services, organized around a telecommunications core, and are aligned with specific subsidiaries of the Company.

The Local Communications Services segment provides local, long distance, data networking and transport, Internet access and pay phone services, as well as sales of communications equipment, in southwestern Ohio, northern Kentucky and southeastern Indiana. These services are marketed and sold to both residential and business customers and are delivered principally through Cincinnati Bell Telephone Company ("CBT") and two recently organized subsidiaries of the Company.

The Directory Services segment sells directory advertising and information services primarily to customers in the geographic areas described in the previous paragraph. This segment's most identifiable product is the Yellow Pages directory delivered by Cincinnati Bell Directory Inc.

The Other Communications Services segment resells (i) long distance and Internet access services and provides data services and products to small- and medium-sized business customers mainly in a five-state Midwestern area, and (ii) telecommunications and computer equipment in the secondary market. These services are provided through Cincinnati Bell Long Distance Inc. and Cincinnati Bell Supply Company, respectively.

The Company anticipates that its new digital wireless PCS business, Cincinnati Bell Wireless Company LLC, will be reported as an operating segment in 1999. In 1998, the assets and capital additions of this business are included in the Other Communications Services segment.

The Company has formed two new subsidiaries. ZoomTown.com Inc., formed in the first quarter of 1999, will provide its FUSE Internet access, e-commerce and transactional services. EnterpriseWise IT Consulting LLC (formerly KSM Consulting and the Network Solutions Group), formed in the third quarter of

1

1998, provides network integration and consulting services. These businesses are included in the Local Communications Services segment.

On December 31, 1998, Cincinnati Bell completed its divestiture of Convergys Corporation, a subsidiary that it had formed during 1998 consisting of its billing and information services business (operated by Convergys Information Management Group Inc., formerly known as Cincinnati Bell Information Systems Inc.) and its customer management solutions business (operated by Convergys Customer Management Group Inc., formerly known as MATRIX Marketing Inc.), as well as its 45% interest in a limited partnership which operates a cellular telecommunications business in southwestern Ohio and northern Kentucky.

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

STRATEGY

Cincinnati Bell believes that it is the most recognized single source, full-service communications provider in the Cincinnati metropolitan market area. Cincinnati Bell's competitive strengths include its (i) well-regarded brand name, (ii) technologically advanced network, (iii) communications industry focus, knowledge and experience, (iv) reputation for service quality, (v) large customer base and (vi) strategic relationships with targeted industry leaders, including AT&T Corp. ("AT&T"), Lucent Technologies ("Lucent"), Cisco Systems and PSINet. By leveraging its competitive strengths, Cincinnati Bell believes that it can increase the market penetration of its existing services, effectively market new services, establish and deliver its data network solutions and wireless capabilities, and capture the full benefit of its strategic relationships with these targeted industry leaders.

Cincinnati Bell is exploring growth opportunities on its own and in partnership with other companies within and beyond its traditional geographic market area. Cincinnati Bell's overall strategy is to expand beyond its traditional telephone business and geographic market, to take advantage of the expanding growth of the data transport business and to become an integrated communications provider of end-to-end data and telecommunications solutions to its customers. Cincinnati Bell has recently formed a network integration business to offer end-to-end broadband network connectivity and management. Cincinnati Bell also offers Digital Subscriber Line ("DSL") technology and high capacity and dial-up Internet access. In 1998, Cincinnati Bell expanded further its product offerings to include digital wireless communications services through a venture with AT&T Wireless PCS Inc. Cincinnati Bell believes that, by bundling core and advanced telecommunication related services on one bill, it achieves a competitive advantage over current and future competitors.

LOCAL COMMUNICATIONS SERVICES

Cincinnati Bell Telephone Company

Cincinnati Bell Telephone is the 12th largest local telecommunications service company in the United States, based on its network access lines in service at the end of 1998. In 1998, on a pro forma basis giving effect to the Convergys divestiture, Cincinnati Bell Telephone provided 81% of Cincinnati Bell's revenue and 79% of its operating income excluding special charges and credits.

Cincinnati Bell Telephone provides telecommunications services to business and residential customers in the Cincinnati metropolitan market area. This market is 2,400 square miles located approximately within a 25 mile radius of Cincinnati and includes all or significant parts of four counties of southwestern Ohio, six counties in northern Kentucky and two counties in southeastern Indiana. Approximately 1.5 million people lived in this region in 1990, including 656,000 households. Approximately 98% of Cincinnati Bell Telephone's network access lines are in one local access transport area ("LATA").

2

Cincinnati Bell Telephone has historically focused on providing telecommunication services to a single geographic market, which has allowed it to introduce various innovative new products and services before many other incumbent local exchange carriers ("ILECs"). To solidify its reputation of being the most recognized single source, full-service communications provider in the Cincinnati metropolitan market area, Cincinnati Bell Telephone markets the following products and services, on its

own or through strategic relationships with industry leaders. FUSE™, an Internet access service, was launched in early 1997 by Cincinnati Bell Telephone and has grown to serve approximately 31,500 subscribers as of December 31, 1998 in the Cincinnati metropolitan market area. With this launch, Cincinnati Bell Telephone became one of the first ILECs in the nation to introduce an Internet access service for its residential and small-business customers (ZoomTown.com Inc., a newly-formed subsidiary of the Company, will offer its FUSE Internet access along with e-commerce and transactional services). Additionally, Cincinnati Bell Telephone recently began offering Digital Subscriber Line ("DSL") technology to approximately half of its subscribers. DSL uses Cincinnati Bell Telephone's existing copper telephone wiring to access data networks and the Internet to provide enhanced high-speed data communications. This technology enables a customer to stay connected to the Internet or other data networks over a dedicated portion of its telephone line while being able to make or receive telephone calls on the same line simultaneously. Cincinnati Bell Telephone serves as the exclusive sales agent for Lucent in the Cincinnati metropolitan market area providing a full service line of communications equipment to business customers. Cincinnati Bell Telephone also owns a 10 Mhz "E block" PCS license covering the Cincinnati metropolitan market area which it can use for yet-to-be-determined wireless services.

Through its long-standing contractual relationships with AT&T, Cincinnati Bell Telephone provides services to and for AT&T in the Cincinnati metropolitan market area. As part of this relationship, Cincinnati Bell Telephone is able to leverage AT&T's size and strength to acquire and deploy technology under favorable terms.

Cincinnati Bell Telephone's service record is among the best in the industry. Based on reports to the Federal Communications Commission ("FCC"), Cincinnati Bell Telephone receives fewer customer reports of service trouble per line than do nearly all other large U.S. telecommunications companies reporting to the FCC. In 1997 (the latest year for which information is available) Cincinnati Bell Telephone averaged only 1.18 trouble reports per 100 customer lines per month, while comparable rates for other large reporting companies ranged from 1.29 to 2.68. Additionally, Cincinnati Bell Telephone was recently awarded the second highest customer satisfaction ranking by J.D. Power and Associates as part of a comprehensive 1998 survey of 14,000 residential telephone customers of the 14 largest ILECs. In the face of increased access line growth, Cincinnati Bell Telephone has a superior record for keeping installation appointments and for completing new service orders within five days.

As a result of previous investments, Cincinnati Bell Telephone's plant, equipment and network are modern and capable of handling new service offerings as they are developed. Of its network access lines, 97% are served by digital switches, 100% have ISDN capability and 100% have Signaling System 7 capability, which supports enhanced features such as Caller ID, Call Trace and Call Return. The network also includes more than 2,700 miles of fiber-optic cable, with eight rings of cable equipped with SONET technology linking Cincinnati's downtown and other major business centers. These SONET rings offer increased reliability and redundancy to Cincinnati Bell Telephone's major business customers.

On December 31, 1998, Cincinnati Bell Telephone had approximately 1,033,000 network access lines in service, an increase of 2.8% or 28,000 lines from December 31, 1997. Approximately 68% of Cincinnati Bell Telephone's network access lines serve residential customers and 32% serve business customers. These residential customers are adding lines for Internet access, home offices and increased voice communications use. In 1998, additional lines accounted for more than 34% of total access lines added during the year. As of December 31, 1998, approximately 13% of Cincinnati Bell Telephone's residential customers had additional access lines. In addition, voice-grade equivalents, or VGEs, increased 40% in 1998.

In 1998, Local Communications Services revenues consisted of local services (57% of total) and network access (25% of total), with the remainder (18%) coming from other communications services such as commissioned sales, maintenance and repair services, and billing services.

Regulation

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

Present and future legislative and regulatory initiatives will have an impact on Cincinnati Bell Telephone and other ILECs, including the Regional Bell Operating Companies ("RBOCs") and other independent telephone companies. The extent of that impact will not be known until the initiatives are fully implemented. These initiatives are designed to encourage and accelerate the development of competition in the telecommunications industry by removing legal barriers to competition across major industry segments. Under the initiatives, companies that were historically limited to providing service within one or more of those segments, including local exchange, long distance, wireless, cable television and information services, can enter other segments to compete with the incumbent providers and other new entrants after meeting certain regulatory requirements.

Federal - In July 1997 the U.S. Court of Appeals for the Eighth Circuit issued a decision stating that certain FCC rules governing local competition exceeded the FCC's authority under the Telecommunications Act of 1996 in several areas. On January 25, 1999, the U.S. Supreme Court overturned the U.S. Court of Appeals decision and reinstated the FCC's rules related to local competition. While the FCC now has the ability to pre-empt a state's rules when they are inconsistent with the FCC's, Ohio and Kentucky have both followed the FCC's rules in most circumstances. The "pick and choose" provision will likely move Cincinnati Bell Telephone in the future to a single set of contractual provisions for all interconnectors.

In May 1997 the FCC adopted an order in the access charge reform proceeding. The order generally removed from minute-of-use access rates costs that are not incurred on a per minute-of-use basis. The order also adopted changes to the interstate rate structure for transport services that are designed to move the charges for these services to more cost-based levels. Cincinnati Bell Telephone and numerous other local exchange carriers ("LECs") filed appeals in the U.S. Court of Appeals for the Eighth Circuit challenging various aspects of the FCC's May 1997 order. On August 19, 1998, the Court issued a decision upholding the FCC's order. Since Cincinnati Bell Telephone had already begun complying with the FCC's order, the Court's decision is not expected to have a material impact on Cincinnati Bell Telephone's operations.

Also in May 1997 the FCC adopted an order on the new universal service program. Several parties, including Cincinnati Bell Telephone, filed petitions for review of the order in various circuits of the U.S. Court of Appeals. U.S. Court of Appeals for the Fifth Circuit heard the case on December 1, 1998, but a decision has not yet been rendered. Given the ongoing judicial developments in this case, the Company cannot determine the full impact that its ultimate resolution may have on Cincinnati Bell Telephone's operations.

In July 1997 Cincinnati Bell Telephone's price cap tariff filing was approved by the FCC without suspension. Cincinnati Bell Telephone and another company have filed petitions for reconsideration with the FCC to

revisit the establishment of the 6.5% productivity offset. In addition, several appeals have been filed with the U.S. Court of Appeals for the D.C. Circuit regarding the order establishing the 6.5% productivity offset. At this time, the outcome of the petition for reconsideration and the appeals cannot be determined.

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On February 25, 1999, the FCC issued a Declaratory Ruling classifying dial-up traffic to Internet service providers ("ISPs") as interstate traffic. The FCC stated this conclusion does not in itself determine whether reciprocal compensation is due in any particular instance and that the parties should be bound by their existing interconnection agreements, as interpreted by state commissions. In addition, the FCC issued a Notice of Proposed Rulemaking, opening a proceeding which will address, on a prospective basis, if Federal rules are required to address reciprocal compensation issues for ISP traffic. In addition, on March 24, 1999, Cincinnati Bell Telephone was served with a copy of a complaint filed with the PUCO by Time Warner Telecom of Ohio, L.P. The complaint challenges Cincinnati Bell Telephone's position that dial-up calls to ISPs are not local calls for which terminating compensation is due under the parties' interconnection agreement. At this time the Company cannot determine the full impact these proceedings will have on Cincinnati Bell Telephone's operations.

On May 12, 1998, the FCC released an order to allow telecommunications carriers to recover over a five-year period their carrier-specific costs of implementing local number portability. Local number portability allows customers to retain their local telephone numbers in the event they change local exchange carriers. Cincinnati Bell Telephone implemented local number portability in May 1998. Although the May FCC order permits such cost recovery through query charges to carriers who access Cincinnati Bell Telephone's local number portability database and through an end-user charge, a subsequent ruling by the FCC Common Carrier Bureau on December 14, 1998, narrowly defined costs that telecommunications carriers can recover through these charges. On January 13, 1999, Cincinnati Bell Telephone asked the FCC to overturn the Common Carrier Bureau's ruling and allow carriers to recover all costs for implementing local number portability. This Application for Review is still pending. Cincinnati Bell Telephone's tariff for the charges was approved by the FCC and became effective February 1, 1999, the earliest date allowed under FCC rules.

Ohio - On March 19, 1998, Cincinnati Bell Telephone, the PUCO, the Office of Consumers Counsel and other intervenors reached a settlement for Cincinnati Bell Telephone's "Commitment 2000" alternative regulation plan application. The settlement was approved by the PUCO on April 9, 1998. Terms of the settlement include: (i) greater pricing flexibility for most services and elimination of rate-of-return regulation; (ii) no increase in basic residential access line rates for the term of the plan; (iii) business rates set based on Cincinnati Bell Telephone's discretion and market conditions; and (iv) a 30% reduction in basic rates for qualified, low income residential customers. The term of the plan is three and one-half years but can be extended up to an additional two years at Cincinnati Bell Telephone's discretion as long as a service quality benchmark is maintained. A portion of this case remains undecided; namely, the approval of rates that Cincinnati Bell Telephone can charge competitive LECs for unbundled network elements ("UNES"). Currently, Cincinnati Bell Telephone is charging interim rates developed in contract negotiations. A hearing concerning these rates began in March 1999.

Kentucky - On June 29, 1998, Cincinnati Bell Telephone filed an application with the PSCK requesting a plan similar to the plan approved by

the PUCO. On January 25, 1999, the PSCK issued an order in this case. The PSCK approved the alternative regulation plan with modifications, adopted an earnings sharing plan for earnings on equity above 13.5%, with customers receiving one-half of the amount above 13.5%, and ordered rate reductions of approximately \$2.2 million. Residential rates will be frozen for three years. Cincinnati Bell Telephone filed a petition for rehearing with the PSCK on February 12, 1999. This petition for rehearing on the earnings sharing plan was granted on March 4, 1999.

DIRECTORY SERVICES

Cincinnati Bell Directory Inc.

Cincinnati Bell Directory Inc. ("CBD") provides Yellow Pages, other directory products and related information and advertising services to more than 1.2 million residential and business consumers. CBD recently launched new Internet advertising services designed to add value to the printed directory services it provides and to allow its customers to better target and update their advertising message. These

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services include the development of a community focused Internet site for directory customers, expanded audiotext services, a regional business-to-business directory and CD-ROM directory listing services. CBD continually evaluates new product offerings in both the print and electronic categories of distribution.

OTHER COMMUNICATIONS SERVICES

Cincinnati Bell Long Distance Inc.

Cincinnati Bell Long Distance Inc. ("CBLD") is an integrated communications provider that resells long distance telecommunications services and products as well as voice mail and paging services mainly in Ohio, Indiana, Michigan, Kentucky and Pennsylvania. CBLD is licensed, however, as a long distance provider in every state except Alaska. Its principal market focus is small- and medium-sized businesses. CBLD augments its high-quality long-distance services with calling plans, network features and enhanced calling services to create customized packages of communications services for its clients. CBLD intends to add new data communications services for business customers, including high-speed dedicated and dial-up Internet access services and other high-speed data transport using frame relay technology.

Cincinnati Bell Supply Company

Cincinnati Bell Supply Company ("CBS") markets telecommunications and computer equipment. Its principal market is the secondary market for used telecommunications systems, including AT&T- and Lucent-branded systems.

Cincinnati Bell Wireless Company

On December 31, 1998, Cincinnati Bell Wireless Company, a wholly owned subsidiary of the Company ("Cincinnati Bell Wireless"), and AT&T Wireless PCS, an indirect wholly owned subsidiary of AT&T Corp., executed a joint venture agreement to provide digital wireless communications services in the Cincinnati and Dayton metropolitan market areas. Prior to the execution of the joint venture agreement, Cincinnati Bell Wireless and AT&T PCS had been operating the digital wireless communications services business under an interim operating agreement executed in February 1998, whereby losses would be funded in the same percentages as they would be upon the joint venture

formation. The Company's required funding of the losses was \$27 million from February through December 31, 1998.

Cincinnati Bell Wireless contributed approximately \$162 million to the venture, Cincinnati Bell Wireless, LLC, an Ohio limited liability company (the "Joint Venture"), in exchange for an 80.1% membership interest. Pursuant to the joint venture agreement, the Joint Venture paid AT&T PCS approximately \$162 million and issued to AT&T PCS a 19.9% membership interest in exchange for AT&T PCS's 20 Mhz partitioned PCS license for the geographic region, as well as network assets and other related assets and liabilities of the business. At December 31, 1998, the Company has recognized approximately \$85 million as an estimate of the goodwill and other intangibles related to this purchase which will be amortized over a 40-year period. Since the independent valuation being performed to assess the value of assets purchased is not yet complete, a further adjustment will be required in 1999 to reflect the fair value of these assets. In addition, the purchase price will be adjusted based on the final determination of assets transferred.

The digital wireless services offered by the Joint Venture, which are sold under the Cincinnati Bell Wireless brand name, operate on AT&T PCS's national network. The Joint Venture has contracted with AT&T Wireless Services, Inc. ("AWS"), an affiliate of AT&T PCS, for a significant number of operational services, including network management, billing, service activation, fraud detection, information technology and roaming administration services. As time goes on, the venture itself may choose to perform many of these operational services. The Joint Venture oversees the administration of the

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venture's day-to-day operations, which includes the marketing and sales, financial and accounting, regulatory and legal functions.

Although it is not obligated to do so, the Company's present intention is to make (through Cincinnati Bell Wireless) additional capital contributions or loans to the Joint Venture to cover its 1999 capital purchases and operating losses. The projected capital purchase amounts have been included in the Company's estimated capital additions for 1999 (set forth on page {9} below).

As of December 31, 1998, the joint venture had approximately 56,000 subscribers for its digital wireless communications services.

COMPETITION

Evolving technology, the preferences of consumers, the legislative and regulatory initiatives of policymakers and the convergence of other industries with the telecommunications industry are causes for increasing competition throughout the telecommunications industry. The range of communications services, the equipment available to provide and access such services and the number of competitors offering such services continue to increase. These initiatives and developments could make it difficult for Cincinnati Bell Telephone to maintain current revenue and profit levels.

Cincinnati Bell Telephone's competitors include other ILECs, wireless services providers, interexchange carriers, competitive local exchange carriers and others. Cincinnati Bell's name and reputation are well regarded as a result of its having provided telecommunications services to the Cincinnati metropolitan market area since 1878 and having a record of superior customer service. Thus, even though Cincinnati Bell Telephone has signed 10 interconnection agreements with competitors as of December 31,

1998, Cincinnati Bell Telephone has transferred only approximately 4,000 access lines to competitors. Cincinnati Bell Telephone does not have any information about how many potential new customers have been lost to competitors.

Cincinnati Bell's other subsidiaries face intense competition in their markets, principally from larger companies. These subsidiaries primarily seek to differentiate themselves by leveraging the strength and recognition of the Cincinnati Bell brand name, by providing customers with superior service and by focusing on niche markets and opportunities to develop and market customized packages of services. CBD's competitors are directory services companies, newspapers and other media advertising services providers in the Cincinnati metropolitan market area. CBD now competes with its former sales representative for Yellow Pages directory customers; such competition may affect CBD's ability to grow or maintain profits and revenues. CBD's competitors include interexchange carriers and certain local telecommunications services companies. CBS's competitors include vendors of new and used communications and computer equipment, operating regionally and across the nation. Cincinnati Bell Wireless, LLC is one of five active wireless service providers in the Cincinnati and Dayton metropolitan market areas.

YEAR 2000

Since 1996, Cincinnati Bell has devoted significant time and resources to achieve Year 2000 compliance.

A Steering Committee, chaired by Cincinnati Bell Telephone's Senior Vice President, Operations and composed of upper-level management personnel, sets the direction and monitors the activity of the Year-2000 Program Management Office. The Program Management Office's responsibility is to make Cincinnati Bell Telephone Year-2000 compliant and to provide oversight for the Company's other subsidiaries as they track the status of their Year-2000 projects. In addition to internal Year-2000 activities, the Program Management Office is communicating with suppliers and clients with which

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Cincinnati Bell Telephone's systems interface or rely upon to determine their progress toward Year-2000 compliance.

The Company has incurred cumulative Year-2000 expenses of \$15.1 million, including \$10.9 million in 1998. Year-2000 expenses for 1999 are estimated to be in the range of \$5 million to \$8 million.

Cincinnati Bell Telephone's goal is to have its network, information technology ("IT") and facilities systems equipped with any required fixes, upgrades or replacements, and tested, by July 31, 1999.

The Company's other subsidiaries hope to have their networks, IT, facilities and billing systems equipped with any required fixes, upgrades or replacements, and tested, by June 30, 1999.

The Company has no reason to believe that the July 31, 1999, target date will not be achieved. However, because of the complexity of the Year-2000 problem, there can be no guarantee that the Company will achieve complete Year-2000 compliance by those dates or before January 1, 2000.

To minimize the disruption to its operations that may result from a variety of occurrences, the Company is developing a well-defined and executable Year-2000 contingency plan and enhancing its business continuity plans to ensure reasonable preparedness for any Year-2000 issues that might

arise. These plans are scheduled for testing in September. Although the Company anticipates minimal business disruption as a result of the century change, if the Company were to be unsuccessful in readying its software and systems for the Year 2000 or preparing adequate plans to avoid business interruption that could result from the century change, this would have a material adverse impact on the Company. This material adverse effect could include a disruption to the provision of services to its customers, which could result in lost revenues, the incurrence of material contractual penalties and damaged customer relationships.

The failure of one of the Company's significant customers to modify its systems for the Year 2000 successfully or to provide the appropriate business continuity planning also could have an adverse impact on the Company as the Company is, to a certain extent, dependent on the success of its customers.

The Company's success in becoming Year-2000 compliant largely depends on the Company's vendors and business partners being Year-2000 compliant. The Program Management Office is working diligently with the Company's vendors and business partners to assure itself, to the extent possible, that the vendors and business partners are taking the necessary steps to become Year-2000 compliant. To the extent that any of the Company's vendors or business partners experience Year-2000 technology difficulties which materially affect their businesses, such difficulties could have a material adverse effect on the Company's business, results of operations and financial condition.

CAPITAL ADDITIONS

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

The following is a summary of capital additions for the years 1994 through 1998:

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Dollars in Millions

	Telephone Plant Construction	Investments in Existing Subsidiaries and New Businesses	Total Capital Additions
1998	\$ 136.3	\$ 172.9	\$ 309.2
1997	\$ 141.1	\$ 23.2	\$ 164.3
1996	\$ 101.4	\$ 4.9	\$ 106.3
1995	\$ 90.3	\$ 2.5	\$ 92.8
1994	\$ 112.8	\$ 11.5	\$ 124.3

The total investment in telephone plant increased from approximately \$1,431 million at December 31, 1993, to approximately \$1,739 million at December 31, 1998, after giving effect to retirements but before deducting accumulated depreciation at either date.

Capital additions for 1999, including software required to be

capitalized pursuant to AICPA Statement of Position 98-1, are estimated to be \$190 million. The estimated amount of capital additions does not include any acquisitions that may occur in 1999.

EMPLOYEES

At December 31, 1998, the Company and its subsidiaries had approximately 3,500 employees. CBT had approximately 2,000 employees covered under a collective bargaining agreement with the Communications Workers of America, which is affiliated with the AFL-CIO. The collective bargaining agreement expires in May 1999. Negotiations with representatives of the CWA to renew the agreement have begun, and the outcome cannot be determined at this time.

BUSINESS SEGMENT INFORMATION

The amounts of revenues, operating income, assets, capital additions, depreciation and amortization attributable to each of the business segments of the Company for the year ended December 31, 1998, are set forth in the table relating to business segment information in Note 9 of the Notes to Financial Statements in the Company's annual report to security holders, and such table is incorporated herein by reference.

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ITEM 2. PROPERTIES

The property of the Company is principally telephone plant which does not lend itself to description by character and location of principal units. Other property of the Company is principally computer equipment and associated operating system software, furniture and fixtures, and assets acquired as part of the Company's investment in the wireless venture with AT&T PCS (most of the Company's property is located in southwestern Ohio and northern Kentucky).

The gross investment in telephone plant and other property, in millions of dollars, at December 31, 1998 was as follows:

Telephone Plant	
Land, buildings and leasehold improvement	\$ 196.4
Central office equipment	720.9
Connecting lines (not on customer premises)	689.3
Station equipment	32.0
Furniture, fixtures, vehicles and other	88.0
Telephone plant under construction	12.5

Total telephone plant	1,739.1

Other Property	
Other subsidiaries	134.0

Total other property	134.0

Total	\$ 1,873.1

Substantially all of the central office switching stations are located

in buildings owned by CBT situated on land which it owns. Some business and administrative offices are located in rented facilities, some of which are treated as capitalized leases and included in the "Furniture, fixtures, vehicles and other" caption above. Facilities leased as part of an operating lease arrangement are expensed as incurred and are not included in the above totals.

ITEM 3. LEGAL PROCEEDINGS

None.

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

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

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EXECUTIVE OFFICERS OF THE REGISTRANT (DURING 1998)

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

Name -----	Age --- (as of 12/31/98)	Title -----
Charles S. Mechem, Jr. (a,b, c)	67	Chairman of the Board
James D. Kiggen (c)	66	Chairman of the Board
John T. LaMacchia (a,b, d)	56	President and Chief Executive Officer
James F. Orr (a,b, c)	52	Chief Operating Officer
Richard G. Ellenberger (a)(e)	45	Chief Operating Officer of the company and President and Chief Executive Officer of CBT
William D. Baskett III (c)	58	General Counsel and Secretary
Brian C. Henry (c)	41	Executive Vice President and Chief Financial Officer
Robert J. Marino (c)	50	President and Chief Executive Officer of Convergys Information Management Group Inc. (formerly known as Cincinnati Bell Information Systems Inc. ("CBIS"))
David F. Dougherty (c)	41	President and Chief Executive Officer of Convergys Customer Management Group Inc. (formerly known as MATRIX Marketing Inc. ("MATRIX"))
Kevin W. Mooney (c)	40	Chief Financial Officer
Thomas E. Taylor (c)	52	General Counsel and Secretary

(a) Member of the Board of Directors

- (b) Member of the Executive Committee
- (c) Following the initial public offering of approximately 10% of the outstanding shares of Convergys Corporation, effective September 1, 1998, Mr. Orr became President and Chief Executive Officer of Convergys and ceased to be the Chief Operating Officer of the Company, Mr. Baskett became General Counsel and Secretary of Convergys and ceased to be General Counsel and Secretary of the Company, Mr. Henry became Chief Operating Officer of Convergys Information Management Group Inc. and ceased to be Executive Vice President and Chief Financial Officer of the Company. Also effective September 1, 1998, Mr. Mooney became Chief Financial Officer of

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the Company and Mr. Taylor became General Counsel and Secretary of the Company. In conjunction with the completion of the spin-off of Convergys on December 31, 1998, Mr. Mechem became Chairman of the Board of Convergys and ceased to be Chairman of the Board of the Company, and Mr. Kiggen was elected Chairman of the Board replacing Mr. Mechem.

- (d) Effective February 28, 1999, Mr. LaMacchia resigned as President and Chief Executive Officer of the Company but will continue to serve as a Director of the Company.
- (e) Effective September 1, 1998, Mr. Ellenberger became Chief Operating Officer of the Company and, effective March 1, 1999, upon Mr. LaMacchia's resignation, Mr. Ellenberger became President and Chief Executive Officer of the Company.

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

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

JAMES D. KIGGEN, Chairman of the Board of the Company since January 1, 1999; Chairman of the Board of Xtek, Inc. since 1985; Chief Executive Officer of Xtek, Inc., 1985-1988; President of Xtek, Inc., 1985-1995. Director of Fifth Third Bancorp and its subsidiary, The Fifth Third Bank and The United States Playing Card Company.

JOHN T. LAMACCHIA, President and Chief Executive Officer of the Company, 1993 - February 28, 1999; President of the Company, 1988 - 1998; Chairman of CBT, 1993 - 1998; Chief Operating Officer of the Company, 1988-1993; Chairman of CBIS, 1988-1996. Director of The Kroger Company and Burlington Resources Inc.

JAMES F. ORR, Chief Operating Officer of the Company and Chairman of CBIS, 1996 - August 31, 1998; Chairman of MATRIXX, 1997 - August 31, 1998; Executive Vice President of the Company and President and Chief Executive Officer of CBIS, 1995-1996; Chief Operating Officer of CBIS, 1994; President and Chief Executive Officer of MATRIXX 1993-1994.

RICHARD G. ELLENBERGER, President and Chief Executive Officer of the Company since March 1, 1999; Chief Operating Officer of the Company since September 1, 1998; President and Chief Executive Officer of CBT since June, 1997; Chief Executive Officer of XLConnect, 1996-1997; President, Business Services of MCI Telecommunications, 1995-1996; Senior Vice President, Worldwide Sales of MCI Telecommunications, 1994-1995; Senior Vice President, Branch Operations of MCI Telecommunications, 1993-1994; Vice President, Southeast Region of MCI

Telecommunications, 1992-1998; Chief Operating Officer of Entrad Corporation, 1990-1992.

WILLIAM D. BASKETT III, General Counsel and Chief Legal Officer of the Company, 1993 - August 31, 1998; Secretary of the Company, 1997 - August 31, 1998; Partner of Frost & Jacobs LLP, 1970-1997.

BRIAN C. HENRY, Executive Vice President and Chief Financial Officer of the Company, 1993 - August 31, 1998; Chief Operating Officer of CBIS, 1998 - August 31, 1998. Vice President and Chief Financial Officer of Mentor Graphics, 1986-1992.

ROBERT J. MARINO, President and Chief Executive Officer of CBIS, 1996 - August 31, 1998; Chief Operating Officer of CBIS, 1995 - 1996; President - Northeast Region of Nextel, 1993 - 1995; President of Houston Cellular Telephone Company, 1990 - 1993.

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DAVID F. DOUGHERTY, President and Chief Executive Officer of MATRIXIX, 1995 - August 31, 1999; Senior Vice President and Chief Operating Officer U.S. Operations, 1993-1994; President of the Consumer Division, 1991-1992.

KEVIN W. MOONEY, Chief Financial Officer of the Company since September 1, 1998; Senior Vice President and Chief Financial Officer of CBT since January 1998; Vice President and Controller of the Company, September, 1996 to January, 1998; Vice President of Financial Planning and Analysis of the Company, January, 1994 to September, 1996; Director of Financial Planning and Analysis of the Company, 1990-1994.

THOMAS E. TAYLOR, General Counsel and Secretary of the Company since September 1, 1998; Senior Vice President and General Counsel of CBT since August 1, 1996; prior to August 1, 1996, partner of Frost & Jacobs LLP.

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PART II

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

Cincinnati Bell Inc. (symbol: CSN) common shares are listed on the New York Stock Exchange and on the Cincinnati Stock Exchange. As of February 26, 1999, there were approximately 24,156 holders of record of the 137,357,138 outstanding common shares of the Company. The high and low sales prices* and dividends declared per common share each quarter for the last two fiscal years are listed below:

Quarter		1st	2nd	3rd	4th
1998	High	\$ 36 5/16	\$ 38 5/8	\$ 33 3/16	\$ 38 1/8
	Low	\$ 30 1/8	\$ 28 1/2	\$ 22 1/2	\$ 20 7/8
	Dividend Declared	\$.10	\$.10	\$.10	\$.10
1997	High	\$ 33 3/4	\$ 33 1/4	\$ 32 1/4	\$ 31 1/8
	Low	\$ 28 1/4	\$ 26 1/16	\$ 23 1/16	\$ 25 3/8
	Dividend Declared	\$.10	\$.10	\$.10	\$.10

*Prices are before the spin-off of Convergys Corporation. Company shares began trading on a post-spin-off basis on January 4, 1999.

ITEMS 6 THROUGH 8.

The Selected Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, Quantitative and Qualitative Disclosures about Market Risk and Financial Statements and Supplementary Data required by these items are included in the registrant's annual report to security holders for the fiscal year ended December 31, 1998, included in Exhibit 13 and are incorporated herein by reference pursuant to General Instruction G(2).

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

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

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PART III

ITEMS 10 THROUGH 13.

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

The other information required by these items is included in the registrant's definitive proxy statement dated March 24, 1999 {in the first paragraph on page 2, the accompanying notes on page 2 and the Section 16 (a) paragraph on page 2, the information under "Election of Directors" on pages 6 and 7, the information under "Share Ownership of Directors and Officers" on page 5, the information under "Executive Compensation" on page 12 through 17.} The foregoing is incorporated herein by reference pursuant to General Instruction G(3).

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PART IV

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

(a) Documents filed as part of this report:	Page

(1) Consolidated Financial Statements:	
Report of Management	*
Report of Independent Accountants	*
Consolidated Statements of Income and Comprehensive Income	*
Consolidated Balance Sheets	*
Consolidated Statements of Cash Flows	*

Consolidated Statement of Common Shareowners' Equity

Notes to Financial Statements

*

(2) Financial Statement Schedules:

Report of Independent Accountants on Financial Statement Schedule	23
II - Valuation and Qualifying Accounts	24

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

- * Incorporated herein by reference to the appropriate portions of the registrant's annual report to security holders for the fiscal year ended December 31, 1998. (See Part II)

(3) Exhibits

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

Exhibit
Number

- (3) (a) Amended Articles of Incorporation effective November 9, 1989. (Exhibit (3) (a) to Form 10-K for 1989, File No. 1-8519).
- (3) (b) Amended Regulations of the registrant. (Exhibit 3.2 to Registration Statement No. 2-96054).
- (4) (a) Provisions of the Amended Articles of Incorporation and the Amended Regulations of the registrant which define the rights of holders of Common Shares and the Preferred Shares are incorporated by reference to such Amended Articles filed as Exhibit (3) (a) hereto and such Amended Regulations filed as Exhibit (3) (b) hereto.

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- (4) (b) Rights Agreement dated April 29, 1997 between the Company and The Fifth Third Bank, Rights Agent.
- 4(c) (i) Indenture dated July 1, 1993, between Cincinnati Bell Inc., Issuer, and The Bank of New York, Trustee, in connection with \$50,000,000 of Cincinnati Bell, Inc. 7 1/4% Notes Due June 15, 2023. Exhibit 4-A to Form 8-K, date of report July 12, 1993, File No. 1-8519.
- (4) (c) (ii) Indenture dated August 1, 1962, between Cincinnati Bell Telephone Company and Bank of New York, Trustee (formerly, The Central Trust Company was trustee), in connection with \$20,000,000 of Cincinnati Bell Telephone Company Forty Year 4-3/8% Debentures, Due August 1, 2002. (Exhibit 4(c) (iii) to Form 10-K for 1992, File No. 1-8519).

- (4) (c) (iii) Indenture dated as of October 27, 1993, among Cincinnati Bell Telephone Company, as Issuer, Cincinnati Bell Inc., as Guarantor, and The Bank of New York, as Trustee. (Exhibit 4-A to Form 8-K, date of report October 27, 1993, File No. 1-8519).
- 4(c) (iv) Indenture dated as of November 30, 1998 among Cincinnati Bell Telephone Company, as Issuer, Cincinnati Bell Inc., as Guarantor, and The Bank of New York, as Trustee (Exhibit 4-A to Form 8-K, date of report November 30, 1998, File No. 1-8519).
- (4) (c) (v) No other instrument which defines the rights of holders of long term debt of the registrant is filed herewith pursuant to Regulation S-K, Item 601(b)(4)(iii)(A). Pursuant to this regulation, the registrant hereby agrees to furnish a copy of any such instrument to the SEC upon request.
- (10) (i) (1) Plan of Reorganization and Distribution Agreement by and between the Company and Convergys Corporation, dated as of July 20, 1998.
- (10) (i) (2) Services Agreement by and between the Company and Convergys Corporation, dated as of July 20, 1998.
- (10) (i) (3) Tax Separation and Allocation Agreement between the Company and Convergys Corporation, dated as of July 20, 1998.
- (10) (i) (4) Benefits Agreement between the Company and Convergys Corporation, dated October 14, 1998.
- (10) (iii) (A) (1) * Short Term Incentive Plan of Cincinnati Bell Inc., as amended January 1, 1995. (Exhibit (10) (iii) (A) (1) (i) to Form 10-K for 1995, File No. 1-8519).
- (10) (iii) (A) (2) * Cincinnati Bell Inc. Deferred Compensation Plan for Outside Directors, as amended and restated effective February 1, 1999.
- (10) (iii) (A) (3) (i) * Cincinnati Bell Inc. Pension Program, as amended effective November 4, 1991. (Exhibit (10) (iii) (A) (4) (ii) to Form 10-K for 1994, File No. 1-8519).
- (10) (iii) (A) (3) (ii) * Cincinnati Bell Pension Program, as amended and restated effective March 3, 1997. (Exhibit (10) (iii) (A) (3) (ii) to Form 10-K for 1997 File No. 1-8519).
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- (10) (iii) (A) (4) (i) * Executive Employment Agreement dated December 1, 1987, between the Company and John T. LaMacchia. (Exhibit (10) (iii) (A) (10) to Form 10-K for 1987, File No. 1-8519).
- 10(iii) (A) (4) (ii) * Employment Agreement dated January 1, 1999 between the Company and John T. LaMacchia.
- (10) (iii) (A) (5) (i) * Employment Agreement dated October 1, 1995, between Cincinnati Bell Information Systems Inc. and Robert J. Marino. (Exhibit (10) (iii) (A) (7) to Form 10-K for 1996, File No. 1-8519).

- (10) (iii) (A) (5) (ii) * Employment Agreement between Convergys Corporation and Robert J. Marino and December 16, 1998 Amendment to Employment Agreement.
- (10) (iii) (A) (6) (i) * Employment Agreement dated as of January 1, 1995, between the Company and David F. Dougherty. (Exhibit (10) (iii) (A) (11) to Form 10-K for 1995, File No. 1-8519).
- (10) (iii) (A) (6) (ii) * Amendment to Employment Agreement dated as of January 1, 1995, between the Company and David F. Dougherty. (Exhibit (10) (iii) (A) (12) to Form 10-K for 1995, File No. 1-8519).
- (10) (iii) (A) (6) (iii) * Employment Agreement between Convergys Corporation and David F. Dougherty and December 16, 1998 Amendment to Employment Agreement.
- (10) (iii) (A) (7) * Executive Employment Agreement dated as of March 29, 1993, between the Company and Brian C. Henry. (Exhibit (10) (iii) (A) (14) to Form 10-K for 1993, File No. 1-8519).
- (10) (iii) (A) (8) (i) * Employment Agreement dated as of August 19, 1994, between the Company and James F. Orr. (Exhibit (10) (iii) (A) (17) (i) to Form 10-K for 1994, File No. 1-8519).
- (10) (iii) (A) (8) (ii) * Amendment to Employment Agreement dated as of October 31, 1994, between the Company and James F. Orr. (Exhibit (10) (iii) (A) (17) (ii) to Form 10-K for 1994, File No. 1-8519).
- (10) (iii) (A) (8) (iii) * Employment Agreement between Convergys Corporation and James F. Orr and December 16, 1998 Amendment to Employment Agreement.
- (10) (iii) (A) (9) * Employment Agreement dated January 1, 1999 between the Company and Richard G. Ellenberger.
- (10) (iii) (A) (10) (i) * Employment Agreement, dated January 1, 1998, between the Company and William D. Baskett III. (Exhibit (10) (iii) (A) (12) to Form 10-K for 1997, File No. 1-8519).
- (10) (iii) (A) (10) (ii) * Employment Agreement between Convergys Corporation and William D. Baskett III. and December 16, 1998 Amendment to Employment Agreement.
- (10) (iii) (A) (11) * Employment Agreement effective January 1, 1999 between the Company and Kevin W. Mooney.
- (10) (iii) (A) (12) * Employment Agreement dated January 1, 1999 between the Company and Thomas E. Taylor.
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- (10) (iii) (A) (13) * Cincinnati Bell Inc. Executive Deferred Compensation Plan, as amended and restated effective October 25, 1998.
- (10) (iii) (A) (14) * Cincinnati Bell Inc. 1997 Long Term Incentive Plan. (Exhibit (10) (iii) (A) (14) (iii) to Form 10-K for 1997, file No. 1-8519).
- (10) (iii) (A) (15) * Cincinnati Bell Inc. 1997 Stock Option Plan for

Non-Employee Directors, as revised and restated effective February 1, 1999.

- (10)(iii)(A)(16)* Cincinnati Bell Inc. 1989 Stock Option Plan. (Exhibit (10)(iii)(A)(14) to Form 10-K for 1989, File No. 1-8519).
- (10)(iii)(A)(17)(i)* MATRIXX Marketing Inc. Executive Deferred Compensation Plan. (Exhibit (10)(iii)(A)(21) to Form 10-K for 1996, File No. 1-8519).
- (10)(iii)(A)(17)(ii)* Amendment to MATRIXX Marketing Inc. Executive Deferred Compensation Plan (effective May 1, 1994). (Exhibit (10)(iii)(A)(21)(i) to Form 10-K for 1996, File No. 1-8519).
- (10)(iii)(A)(17)(iii)* Amendment to MATRIXX Marketing Inc. Executive Deferred Compensation Plan (effective May 4, 1996). (Exhibit (10)(iii)(A)(21)(ii) to Form 10-K for 1996, File No. 1-8519).
- (12) Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Dividends.
- (13) Portions of the Cincinnati Bell Inc. annual report to security holders for the fiscal year ended December 31, 1998, as incorporated by reference including the Selected Financial Data, Report of Management, Report of Independent Accountants, Management's Discussion and Analysis and Consolidated Financial Statements.
- (21) Subsidiaries of the Registrant.
- (23) Consent of Independent Accountants.
- (24) Powers of Attorney.
- (27.1, 27.2, 27.3) Financial Data Schedules.

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

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

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(b) Reports on Form 8-K.

- (1) Form 8-K, date of report October 13, 1998, concerning certain information about the Company and Cincinnati Bell Telephone Company.
- (2) Form 8-K, date of report November 19, 1998, reporting matters related to the Convergys Spin-Off and Mr. Ellenberger's election as a director of the Company.
- (3) Form 8-K, date of report November 30, 1998, reporting that Cincinnati Bell Telephone Company consummated the sale of \$150,000,000 of its Guaranteed 6.30% Debentures due 2028.

(4) Form 8-K, date of report December 31, 1998, reporting that the company had completed the spin-off of Convergys Corporation.

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SIGNATURES

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

CINCINNATI BELL INC.

March 29, 1999

By: /s/ Kevin W. Mooney

 Kevin W. Mooney
 Chief Financial Officer

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

Signature -----	Title -----	Date -----
RICHARD G. ELLENBERGER* ----- Richard G. Ellenberger	Principal Executive Officer; President, Chief Executive Officer and Director	
KEVIN W. MOONEY* ----- Kevin W. Mooney	Principal Accounting and Financial Officer; Chief Financial Officer	
PHILLIP R. COX* ----- Phillip R. Cox	Director	
WILLIAM A. FRIEDLANDER* ----- William A. Friedlander	Director	
KAREN M. HOGUET* ----- Karen M. Hoguet	Director	
ROBERT P. HUMMEL, M.D.* ----- Robert P. Hummel, M.D.	Director	
JAMES D. KIGGEN* ----- James D. Kiggen	Chairman of the Board and Director	
JOHN T. LAMACCHIA* ----- John t. LaMacchia	Director	
MARY D. NELSON* -----	Director	

Mary D. Nelson

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DAVID B. SHARROCK* Director

David B. Sharrock

*By: /s/ Kevin W. Mooney

March 29, 1999

Kevin W. Mooney
as attorney-in-fact and on his behalf
as Chief Financial Officer

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REPORT OF INDEPENDENT ACCOUNTS

To the Shareowners of
Cincinnati Bell Inc.

Our report on the consolidated financial statements of Cincinnati Bell Inc. has been incorporated by reference in this Form 10-K from page 29 of the 1998 annual report of Cincinnati Bell Inc. In connection with our audits of such consolidated financial statements, we have also audited the related financial statement schedule on page 24 of this Form 10-K.

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

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Cincinnati, Ohio
March 29, 1999

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Schedule II

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

COL. A	COL. B	COL. C		COL. D	COL. E
		Additions			
		(1)	(2)		
Allowance for Doubtful Accounts	Balance at Beginning of Period	Charged to Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
Year 1998.....	\$ 9.1	\$18.1	\$11.0 (a)	\$26.2 (b)	\$12.0
Year 1997.....	\$ 6.1	\$12.2	\$ 5.5 (a)	\$14.7 (b)	\$ 9.1
Year 1996.....	\$ 4.4	\$ 7.3	\$ 7.8 (a)	\$13.4 (b)	\$ 6.1

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

(b) Primarily includes amounts written off as uncollectible.

		Additions			
		(1)	(2)		
Reserves Related to 1995 Business Restructuring	Balance at Beginning of Period	Charged to Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
Year 1998.....	\$ 5.3	\$ --	\$ --	\$ 4.8	\$.5
Year 1997.....	\$ 0.7	\$ --	\$ --	\$ 3.4	\$ 5.3
Year 1996.....	\$15.2	\$ --	\$ --	\$ 6.5	\$ 8.7

CINCINNATI BELL INC.

and

THE FIFTH THIRD BANK

Rights Agent

RIGHTS AGREEMENT

Dated as of April 29, 1997

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RIGHTS AGREEMENT

Agreement, dated as of April 29, 1997, between Cincinnati Bell Inc., an Ohio corporation (the "Corporation"), and The Fifth Third Bank, an Ohio corporation (the "Rights Agent").

The Board of Directors of the Corporation has authorized and declared a dividend of one Right on each Common Share (as hereinafter defined) of the Corporation outstanding at the close of business on May 2, 1997 (the "Record Date"), each right representing the right to purchase one one-hundredth (1/100) of a Series A Preferred Share, without par value, of the Corporation having the rights and preferences set forth in the Form of Certificate of Amendment to Amended Articles of Incorporation of Cincinnati Bell Inc. attached hereto as Exhibit A, upon the terms and subject to the conditions herein set forth (the "Rights"), and has further authorized the issuance of one Right with respect to each Common Share of the Corporation that shall become outstanding between the Record Date and the earliest of the Distribution Date, the Expiration Date and the Final Expiration Date (as such terms are hereinafter defined), except as otherwise shall be provided herein.

Accordingly, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

Section 1. CERTAIN DEFINITIONS. For purposes of this Agreement, the following terms have the meanings indicated:

(a) "Acquiring Person" shall mean any Person (as hereinafter defined) who or which, together with all Affiliates and Associates (as such terms are hereinafter defined) of such Person, shall be the Beneficial Owner (as hereinafter defined) of 15% or more of the Common Shares of the Corporation then outstanding, but shall not include an Exempt Person (as such term is hereinafter defined); PROVIDED, HOWEVER, that if the Board of Directors of the Corporation

determines in good faith that a Person who would otherwise be an "Acquiring Person" has become such inadvertently (including, without limitation, because (i) such Person was unaware that it beneficially owned a percentage of Common Shares that would otherwise cause such Person to be an "Acquiring Person" or (ii) such Person was aware of the extent of its Beneficial Ownership of Common Shares but had no actual knowledge of the consequences of such Beneficial Ownership under this Rights Agreement) and without any intention of changing or influencing control of the Corporation, and such Person, as promptly as practicable after being advised of such determination divested or divests himself, herself or itself of Beneficial Ownership of a sufficient number of Common Shares so that such Person would no longer be an Acquiring Person, then such Person shall not be deemed to be or to have become an "Acquiring Person" for any purposes of this Agreement. Notwithstanding the foregoing, (i) if a Person would be deemed an Acquiring Person upon the adoption of this Agreement because of ownership of 15% or more but less than 20% of the Common Shares on such date, such Person will not be deemed an Acquiring Person for any purposes of this Agreement unless and until such Person acquires Beneficial Ownership of any additional Common Shares (other than pursuant to a dividend or distribution paid or made by the Corporation on the outstanding Common Shares in Common Shares or pursuant to a split or subdivision of the outstanding Common Shares), after the adoption of this Agreement unless upon the consummation of the acquisition of such additional Common Shares such Person does not own 15% or more of the Common Shares then outstanding, and (ii) no Person shall become an "Acquiring Person" as the result of an acquisition of Common Shares by the Corporation which, by reducing the number of shares outstanding, increases the proportionate number of shares beneficially owned by such Person to 15% or more

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of the Common Shares then outstanding, PROVIDED, HOWEVER, that if a Person shall become the Beneficial Owner of 15% or more of the Common Shares then outstanding by reason of such share acquisitions by the Corporation and thereafter become the Beneficial Owner of any additional Common Shares (other than pursuant to a dividend or distribution paid or made by the Corporation on the outstanding Common Shares or pursuant to a split or subdivision of the outstanding Common Shares), then such Person shall be deemed to be an "Acquiring Person" unless upon the consummation of the acquisition of such additional Common Shares such Person does not own 15% or more of the Common Shares then outstanding. For all purposes of this Agreement, any calculation of the number of Common Shares outstanding at any particular time, including for purposes of determining the particular percentage of such outstanding Common Shares of which any Person is the Beneficial Owner, shall be made in accordance with the last sentence of Rule 13d-3(d)(1)(i) of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as in effect on the date hereof.

(b) "Act" shall mean the Securities Act of 1933.

(c) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations (the "General Rules") promulgated by the Securities and Exchange Commission

under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as in effect on the date of this Agreement.

(d) A Person shall be deemed the "Beneficial Owner" of, and shall be deemed to "beneficially own", any securities:

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(i) which such Person or any of such Person's Affiliates or Associates beneficially owns, directly or indirectly;

(ii) which such Person or any of such Person's Affiliates or Associates has, directly or indirectly, (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing), (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities), or upon the exercise of conversion rights, exchange rights, rights (other than these Rights at any time prior to the occurrence of a Triggering Event (as hereinafter defined) but thereafter including Rights acquired from and after the Distribution Date (as hereinafter defined) other than Rights acquired pursuant to Section 3(a), Section 11(i) and Section 22 hereof), warrants or options, or otherwise; PROVIDED, HOWEVER, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange; or (B) the right to vote or dispose of or "beneficial ownership" (as determined pursuant to Rule 13d-3 of the General Rules) of (including pursuant to any agreement, arrangement or understanding, whether or not in writing); PROVIDED, HOWEVER, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security under this clause (B) as a result of an agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding (1) arises solely from a revocable proxy given in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the

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applicable rules and regulations of the Exchange Act, and (2) is not also then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(iii) which are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding (whether or not in writing) for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in the proviso to clause (B) of subparagraph (ii) of this paragraph (c)) or disposing of any securities of the Corporation.

(e) "Business Day" shall mean any day other than a Saturday, Sunday, or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

(f) "Close of business" on any given date shall mean 5:00 P.M., New York City time, on such date; PROVIDED, HOWEVER, that if such date is not a Business Day it shall mean 5:00 P.M., New York City time, on the next succeeding Business Day.

(g) "Common Shares" when used with reference to the Corporation shall mean the Common Shares, par value \$1.00 per share, of the Corporation.

"Common Shares" when used with reference to any Person other than the Corporation shall mean the capital stock of such Person with the greatest voting power (or, if such Person is a subsidiary of another Person, of the Person which ultimately controls such first-mentioned Person), or the equity securities or other equity interest having power to control or direct the management of such Person.

(h) "Common Share Equivalents" shall have the meaning set forth in Section 11(a)(iii) hereof.

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(i) "Current Per Share Market Price" shall have the meaning set forth in Section 11(d)(i) hereof.

(j) "Current Value" shall have the meaning set forth in Section 11(a)(iii) hereof.

(k) "Distribution Date" shall have the meaning set forth in Section 3(a) hereof.

(l) "equivalent preferred shares" shall have the meaning set forth in Section 11(b) hereof.

(m) "Exchange Act" shall have the meaning set forth in Section 1(d) hereof.

(n) "Exempt Person" shall mean the Corporation, any Subsidiary (as such term is hereinafter defined) of the Corporation, in each case including, without limitation, in its fiduciary capacity, or, any employee benefit plan of the Corporation or of any Subsidiary of the Corporation, or any entity or trustee holding Common Shares for or pursuant to the terms of any such plan or for the purpose of funding any such plan or funding other employee benefits for employees of the Corporation or of any Subsidiary of the Corporation.

(o) "Expiration Date" shall have the meaning set forth in Section 7(a) hereof.

(p) "Final Expiration Date" shall mean the close of business on May 2, 2007.

(q) "Person" shall mean any individual, firm, corporation, partnership or other entity and shall include any successor (by merger or otherwise) of such entity.

(r) "Preferred Shares" shall mean Series A Preferred Shares, without par value, of the Corporation.

(s) "Principal Party" shall have the meaning set forth in Section 13(b) hereof.

(t) "Purchase Price" shall have the meaning set forth in Section 4(a) hereof.

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(u) "Record Date" shall have the meaning set forth in the second paragraph of this Agreement.

(v) "Redemption Price" shall have the meaning set forth in section 23(a) hereof.

(w) "Rights" shall have the meaning set forth in the second paragraph of this Agreement.

(x) "Rights Certificates" shall have the meaning set forth in Section 3 hereof.

(y) "Section 11(a)(ii) Event" shall mean any event described in Section 11(a)(ii) hereof.

(z) "Section 11(a)(ii) Trigger Date" shall have the meaning set forth in section 11(a)(iii) hereof.

(aa) "Section 13 Event" shall mean any event described in Clause (i), (ii) or (iii) of Section 13(a) hereof.

(bb) "Shares Acquisition Date" shall mean the first date of public announcement (which, for purposes of this definition shall include, without limitation, a report filed pursuant to Section 13(d) promulgated under the Exchange Act) by the Corporation or by an Acquiring Person that an Acquiring Person has become such or such earlier date as a majority of the Board of Directors shall become aware of the existence of an Acquiring Person.

(cc) "Spread" shall have the meaning set forth in Section 11(a)(iii) hereof.

(dd) "Subsidiary" shall mean, with reference to any Person, any corporation of which securities or other ownership interests having ordinary voting power sufficient to elect a majority of the board of directors or other persons performing similar functions are beneficially owned,

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directly or indirectly, by such Person, and any corporation or other entity that is otherwise controlled by such Person.

(ee) "Substitution Period" shall have the meaning set forth in Section 11(a)(iii) hereof.

(ff) "Trading Day" shall have the meaning set forth in Section 11(d)(i) hereof.

(gg) "Triggering Event" shall mean any Section 11(a)(ii) Event or any Section 13 Event.

Any determination required by the definitions contained in this Section shall be made by the Board of Directors of the Corporation in their good faith judgment, which determination shall be final and binding on the Rights Agent.

Section 2. APPOINTMENT OF RIGHTS AGENT. The Corporation hereby appoints the Rights Agent to act as agent for the Corporation in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Corporation may from time to time appoint such Co-Rights Agents as it may deem necessary or desirable.

Section 3. ISSUE OF RIGHT CERTIFICATES. (a) Until the earlier of (i) the close of business on the tenth Business Day after the Shares Acquisition Date, or (ii) the close of business on the tenth Business Day after the date of the commencement of, or first public announcement of the intent to commence, a tender or exchange offer by any Person (other than an Exempt Person) if upon consummation thereof, any such Person other than an Exempt Person would be the Beneficial Owner of 15% or more of the Common Shares then outstanding (the earlier of such dates, including any such date which is

after the date of this Agreement and prior to the issuance of the Rights, being herein referred to as the "Distribution Date"): (x) the Rights will be evidenced (subject to the provisions of paragraph (b) of this Section 3) by the certificates for

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Common Shares registered in the names of the holders thereof (which certificates for Common Shares shall be deemed also to be Right Certificates) and not by separate Right Certificates, and (y) the Rights will be transferable only in connection with the transfer of the underlying Common Shares (including a transfer to the Corporation). As soon as practicable after the Distribution Date, the Rights Agent will send, by first-class, insured, postage prepaid mail, or, if requested by or on behalf of a holder, shall otherwise deliver, to each record holder of Common Shares as of the close of business on the Distribution Date, at the address of such holder shown on the records of the Corporation, one or more Right Certificates, in substantially the form of Exhibit B hereto (the "Right Certificates"), evidencing one Right for each Common Share so held, subject to adjustment. In the event that an adjustment in the number of Rights per Common Share has been made pursuant to Section 11(p) hereof, at the time of distribution the Corporation shall make the necessary and appropriate rounding adjustments (in accordance with Section 14(a) hereof) so that Right Certificates evidencing only whole numbers of Rights are distributed and cash is paid in lieu of fractional Rights. As of and after the Distribution Date, the Rights will be evidenced solely by such Right Certificates.

(b) As promptly as practicable following the Record Date, the Corporation will send a copy of a Summary of Rights to Purchase Preferred Shares, in substantially the form attached hereto as Exhibit C (the "Summary of Rights"), by first-class, postage prepaid mail, to each record holder of Common Shares as of the close of business on the Record Date, at the address of such holder shown on the records of the Corporation. With respect to certificates for Common Shares outstanding as of the Record Date until the Distribution Date, the Rights will be evidenced by such certificates for Common Shares registered in the names of the holders thereof, and the

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registered holders of the Common Shares shall also be the registered holders of the associated Rights. Until the Distribution Date (or the earlier Expiration Date or Final Expiration Date), the transfer of any certificate for Common Shares in respect of which Rights have been issued shall also constitute the transfer of the Rights associated with the Common Shares represented thereby.

(c) Rights shall be issued in respect of all Common Shares that shall become outstanding after the Record Date but prior to the earliest of the Distribution Date or the Expiration Date or the Final Expiration Date, except as otherwise provided in Section 11(p). Certificates representing such Common Shares (and certificates delivered pursuant to Sections 6 and 7(d)) shall also be deemed to be Right Certificates, and shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

This certificate also evidences and entitles the holder hereof to certain Rights as set forth in a Rights Agreement between Cincinnati Bell Inc. and The Fifth Third Bank, as Rights Agent, dated as of April 29, 1997 as the same may be amended from time to time (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of Cincinnati Bell Inc. and available for inspection by the holder of this certificate.

Under certain circumstances set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. Cincinnati Bell Inc. will mail to the holder of this certificate a copy of the Rights Agreement without charge within five days after receipt of a written request therefor. Under certain circumstances set forth in the Rights Agreement, Rights issued to, or held by, any Person who is, was or becomes an Acquiring Person or any Affiliate or Associate thereof (as such terms are defined in the Rights Agreement) and any subsequent holder of such Rights may become null and void. In no event may the Rights be exercised after May 2, 2007.

With respect to such certificates containing the foregoing legend, until the Distribution Date (or the earlier Expiration or Final Expiration Date), the Rights associated with the Common Shares represented by such certificates shall be evidenced by such certificates alone and

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registered holders of Common Shares shall also be the registered holders of the associated Rights, and the transfer of any such certificate shall also constitute the transfer of the Rights associated with the Common Shares represented thereby. In the event that the Corporation purchases or otherwise acquires any Common Shares after the Record Date but prior to the Distribution Date, any Rights associated with such Common Shares shall be deemed cancelled and retired so that the Corporation shall not be entitled to exercise any Rights associated with the Common Shares which are no longer outstanding.

Notwithstanding this paragraph (c), the omission of a legend shall not affect the enforceability of any part of this Agreement or the rights of any holder of the Rights.

Section 4. FORM OF RIGHT CERTIFICATES. (a) The Right Certificates (and the forms of election to purchase shares and of assignment to be printed on the reverse thereof) shall be substantially in the form set forth as Exhibit B hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Corporation may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Rights may from time to time be listed, or to conform to usage. Subject to the provisions of Section 11 and Section 22 hereof, the Right Certificates, whenever issued, shall be dated as of the Distribution Date, and on their face shall entitle the holders thereof to purchase such number of Preferred Shares as shall be set forth therein at the price per share set forth therein (the "Purchase Price"), but in any event the amount and type of securities purchasable upon the exercise of each Right and the Purchase Price thereof shall be subject to adjustment as provided herein.

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(b) Any Right Certificate issued pursuant to Section 3(a) or Section 22 hereof that represents Rights beneficially owned by: (i) an Acquiring Person or any Associate or Affiliate of an Acquiring Person, (ii) a transferee of an Acquiring Person (or such Associate or Affiliate) who becomes a transferee after the Acquiring Person becomes such, or (iii) a transferee of an Acquiring Person (or such Associate or Affiliate) who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for

consideration) from the Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom the Acquiring Person has any continuing agreement, arrangement or understanding regarding the transferred Rights or (B) a transfer which is part of a plan, arrangement or understanding which has as a primary purpose or effect avoidance of Section 7(e) hereof, and any Right Certificate issued pursuant to Section 6 or Section 11 hereof upon transfer, exchange, replacement or adjustment of any other Right Certificate referred to in this sentence, shall contain (to the extent feasible and otherwise reasonably identifiable as such) the following legend:

The Rights represented by this Right Certificate are or were beneficially owned by a Person who was or became an Acquiring Person or an Affiliate or Associate of an Acquiring Person (as such terms are defined in the Rights Agreement). Accordingly, this Right Certificate and the Rights represented hereby may become void in the circumstances specified in Section 7(e) of such Agreement.

Section 5. COUNTERSIGNATURE AND REGISTRATION. The Right Certificates shall be executed on behalf of the Corporation by its Chairman of the Board, President or any Vice President, either manually or by facsimile signature, and have affixed thereto the Corporation's seal or a facsimile thereof which shall be attested by the Secretary or an Assistant Secretary of the

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Corporation, either manually or by facsimile signature. The Right Certificates shall be manually countersigned by the Rights Agent and shall not be valid for any purpose unless so countersigned. In case any officer of the Corporation who shall have signed any of the Right Certificates shall cease to be such officer of the Corporation before countersignature by the Rights Agent and issuance and delivery by the Corporation, such Right Certificates nevertheless may be countersigned by the Rights Agent, and issued and delivered by the Corporation, with the same force and effect as though the person who signed such Right Certificates had not ceased to be such officer of the Corporation; and any Right Certificate may be signed on behalf of the Corporation by any person who, at the actual date of the execution of such Right Certificate, shall be a proper officer of the Corporation to sign such Right Certificate, although at the date of the execution of this Rights Agreement any such person was not such an officer.

Following the Distribution Date, the Rights Agent will keep or cause to be kept, at one of its offices in the United States, books for registration and transfer of the Right Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Right Certificates, the number of Rights evidenced on its face by each of the Right Certificates, the Right Certificate number and the date of each of the Right Certificates.

Section 6. TRANSFER, SPLIT UP, COMBINATION AND EXCHANGE OF RIGHT CERTIFICATES; MUTILATED, DESTROYED, LOST OR STOLEN RIGHT CERTIFICATES. Subject to the provisions of Sections 4(b), 7(e) and 14 hereof, at any time after the close of business on the Distribution Date, and at or prior to the close of business on the earlier of the Expiration Date or the Final Expiration Date, any Right Certificate or Right Certificates may be transferred, split up, combined or exchanged for another Right Certificate or Right Certificates, entitling the registered holder to

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purchase a like number of Preferred Shares (or, following a Triggering Event,

Common Shares, other securities or property, as the case may be) the Right Certificate or Right Certificates surrendered then entitled such holder (or former holder in case of a transfer) to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Right Certificate shall make such request in writing delivered to the Rights Agent, and shall surrender the Right Certificate or Right Certificates to be transferred, split up, combined or exchanged at the principal office of the Rights Agent. Neither the Rights Agent nor the Corporation shall be obligated to take any action whatsoever with respect to the transfer of any such surrendered Right Certificate until the registered holder shall have completed and signed the certificate contained in the form of assignment on the reverse side of such Right Certificate and the Corporation shall have been provided with such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Corporation shall reasonably request. Thereupon the Rights Agent shall, subject to Sections 4(b), Section 7(e) and Section 14 hereof, countersign and deliver to the Person entitled thereto a Right Certificate or Right Certificates, as the case may be, as so requested. The Corporation may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Right Certificates.

Subject to the provisions of Section 7(e) hereof, at any time after the Distribution Date and prior to the close of business on the earlier of the Redemption Date or the Final Expiration Date, upon receipt by the Corporation and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Right Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to them, and, at the

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Corporation's request, reimbursement to the Corporation and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Right Certificate if mutilated, the Corporation will make and deliver a new Right Certificate of like tenor to the Rights Agent for countersignature and delivery to the registered owner in lieu of the Right Certificate so lost, stolen, destroyed or mutilated.

Section 7. EXERCISE OF RIGHTS; PURCHASE PRICE; EXPIRATION DATE OF RIGHTS. (a) Subject to Section 7(e) hereof, the registered holder of any Right Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein) in whole or in part at any time after the Distribution Date upon surrender of the Right Certificate, with the form of election to purchase and the certificate on the reverse side thereof duly executed, to the Rights Agent at the office of the Rights Agent designated for such purposes, together with payment of the Purchase Price with respect to each surrendered Right for the total number of shares (or other securities or property, as the case may be) as to which such surrendered Rights are exercisable, at or prior to the earlier of (i) the Final Expiration Date; (ii) the time at which the Rights are redeemed as provided in Section 23 (such earlier time being herein referred to as the "Expiration Date"); or (iii) the time at which such Rights are exchanged as provided in Section 24 hereof. At the close of business on the Final Expiration Date, the Rights shall become null and void.

(b) The "Purchase Price" for each one one-hundredth of a Preferred Share pursuant to the exercise of a Right shall initially be \$125, shall be subject to adjustment from time to time as provided in Sections 11 and 13 hereof and shall be payable in lawful money of the United States of America in accordance with paragraph (c) below.

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(c) Upon receipt of a Right Certificate representing exercisable Rights, with the form of election to purchase and the certificate duly executed, accompanied by payment, with respect to each Right (in cash, or by certified bank check or money order payable to the order of the Corporation) of the Purchase Price for the shares (or other securities or property, as the case may be) to be purchased and an amount equal to any applicable transfer tax, the Rights Agent shall thereupon promptly (i) (A) requisition from the Corporation or any transfer agent of the Preferred Shares (or make available, if the Rights Agent is the transfer agent) certificates for the number of Preferred Shares to be purchased and the Corporation will comply and hereby authorizes its transfer agent to comply with all such requests, or (B) if the Corporation shall have elected to deposit the Preferred Shares issuable upon exercise of the Rights hereunder with a depository agent, requisition from the depository agent depository receipts representing such number of one one-hundredths of a Preferred Share as are to be purchased (in which case certificates for the Preferred Shares represented by such receipts shall be deposited by the transfer agent with the depository agent) and the Corporation hereby directs the depository agent to comply with such request, (ii) when appropriate, requisition from the Corporation the amount of cash to be paid in lieu of issuance of fractional shares in accordance with Section 14, (iii) promptly after receipt of such certificates or depository receipts, cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder and (iv) when appropriate, after receipt thereof, promptly deliver such cash to or upon the order of the registered holder of such Right Certificate. In the event that the Corporation is obligated to issue other securities (including Common Shares) of the Corporation, pay cash and/or distribute other property pursuant to Section 11(a)

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hereof, the Corporation will make all arrangements necessary so that such other securities, cash and/or property are available for distribution by (or on behalf of) the Rights Agent, if and when appropriate.

(d) In case the registered holder of any Right Certificate shall exercise less than all the Rights evidenced thereby, a new Right Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent and delivered to the registered holder of such Right Certificate or to his duly authorized assigns, subject to the provisions of Section 14 hereof.

(e) Notwithstanding anything in this Agreement to the contrary, from and after the occurrence of a Triggering Event, any Rights beneficially owned by (a) an Acquiring Person, or an Associate or Affiliate of an Acquiring Person, (b) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee after the Acquiring Person becomes such, or (c) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and receives such Rights pursuant to either (i) a transfer (whether or not for consideration) from the Acquiring Person (or from any such Associate or Affiliate) to holders of equity interests in such Acquiring Person (or in any such Associate or Affiliate) or to any Person with whom the Acquiring Person (or any such Associate or Affiliate) has any continuing agreement, arrangement or understanding regarding the transferred Rights or (ii) a transfer which the Board of Directors otherwise concludes in good faith (whether before or after such transfer) is part of a plan, arrangement or understanding which has as a primary purpose or effect the avoidance of this Section 7(e), and subsequent transferees of such Persons, shall become null and void without any

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further action, and any holder of such Rights shall thereupon have no rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise, from and after the occurrence of a Triggering Event. The Corporation shall use all reasonable efforts to insure that the provisions of this Section 7(e) and Section 4(b) hereof are complied with, but shall have no liability to any holder of Rights or other Person for the inability to make any determinations with respect to an Acquiring Person or their Affiliates, Associates or transferees hereunder. No Right Certificate shall be issued pursuant to Section 3 or Section 6 hereof that represents Rights that are or have become void pursuant to the provisions of this paragraph, and any Right Certificate delivered to the Rights Agent that represents Rights that are or have become void pursuant to the provisions of this paragraph shall be cancelled. The Corporation will inform the Rights Agent of any rights that are or have become void pursuant to the provisions of this paragraph.

(f) Notwithstanding anything in this Agreement to the contrary, neither the Rights Agent nor the Corporation shall be obligated to undertake any action with respect to a registered holder upon the occurrence of any purported transfer or exercise as set forth in Section 6 or in this Section 7 unless the certificate contained in the form of assignment or election to purchase set forth on the reverse side of the Right Certificate surrendered for such transfer or exercise shall have been completed and signed by the registered holder thereof and the Corporation shall have been provided with such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Corporation shall reasonably request.

Section 8. CANCELLATION AND DESTRUCTION OF RIGHT CERTIFICATES. All Right Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange shall, if

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surrendered to the Corporation or to any of its agents, be delivered to the Rights Agent for cancellation or in cancelled form, or, if surrendered to the Rights Agent, shall be cancelled by it, and no Right Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Rights Agreement. The Corporation shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any other Right Certificate purchased or acquired by the Corporation otherwise than upon the exercise thereof. The Rights Agent shall deliver all cancelled Right Certificates to the Corporation, or shall, at the written request of the Corporation, destroy such cancelled Right Certificates and deliver a certificate of destruction thereof to the Corporation.

Section 9. RESERVATION AND AVAILABILITY OF PREFERRED SHARES. The Corporation covenants and agrees that it will cause to be reserved and kept available out of its authorized and unissued Preferred Shares (and, following the occurrence of a Triggering Event, Common Shares and/or other securities) or any authorized and issued Preferred Shares (and, following the occurrence of a Triggering Event, Common Shares and/or other securities) held in its treasury, the number of Preferred Shares (and, following the occurrence of a Triggering Event, Common Shares and/or other securities) that will be sufficient (in accordance with the terms of this Agreement, including Section 11(a) (iii) hereof) to permit the exercise in full of all outstanding Rights.

So long as the Preferred Shares (and, following the occurrence of a Triggering Event, Common Shares and/or other securities) issuable upon the exercise of Rights may be listed on any national securities exchange or quotation system, the Corporation shall use its best efforts to cause, from and after such time as the Rights become exercisable, all shares reserved for such

issuance to be listed on such exchange or quotation system upon official notice of issuance in connection with such exercise.

The Corporation shall use its best efforts to (i) file, as soon as practicable following the first occurrence of a Triggering Event, a registration statement under the Securities Act of 1933 (the "Act"), with respect to the securities purchasable upon exercise of the Rights on an appropriate form, (ii) cause such registration statement to become effective as soon as practicable after such filing, and (iii) cause such registration statement to remain effective (with a prospectus at all times meeting the requirements of the Act) until the date of the expiration of the Rights. The Corporation will also take such action as may be appropriate under the blue sky laws of the various states. The Corporation may temporarily suspend, for a period of time not to exceed ninety (90) days, the exercisability of the Rights in order to prepare and file such registration statement or in order to comply with such blue sky laws. Upon any such suspension, the Corporation shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. Notwithstanding any provision of this Agreement to the contrary, the Rights shall not be exercisable in any jurisdiction, unless the requisite qualification in such jurisdiction shall have been obtained and until a registration statement has been declared effective.

The Corporation covenants and agrees that it will take all such action as may be necessary to ensure that all Preferred Shares (and, following the occurrence of a Triggering Event, Common Shares and/or other securities) delivered upon exercise of Rights shall, at the time of delivery of the certificates for such shares (subject to payment of the Purchase Price), be duly and validly authorized and issued and fully paid and nonassessable shares.

The Corporation further covenants and agrees that it will pay when due and payable any and all federal and state transfer taxes and charges which may be payable in respect of the issuance or delivery of the Right Certificates or of any Preferred Shares (and, following the occurrence of a Triggering Event, Common Shares and/or other securities) upon the exercise of Rights. The Corporation shall not, however, be required to pay any transfer tax which may be payable in respect of any transfer or delivery of Right Certificates to a person other than, or the issuance or delivery of certificates for the Preferred Shares (and, following the occurrence of a Triggering Event, Common Shares and/or other securities) in a name other than that of, the registered holder of the Right Certificate evidencing Rights surrendered for exercise, or to issue or deliver any certificates for Preferred Shares (and, following the occurrence of a Triggering Event, Common Shares and/or other securities) upon the exercise of any Rights until any such tax shall have been paid (any such tax being payable by the holder of such Right Certificate at the time of surrender) or until it has been established to the Corporation's satisfaction that no such tax is due.

Section 10. PREFERRED SHARES RECORD DATE. Each person in whose name any certificate for Preferred Shares (or Common Shares and/or other securities, as the case may be) is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the Preferred Shares (or Common Shares and/or other securities, as the case may be) represented thereby on, and such certificate shall be dated, the date upon which the Right Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and any applicable transfer taxes) was made;

PROVIDED, HOWEVER, that if [redacted] date of such surrender and payment [redacted] a date upon which the Preferred Shares (or Common Shares and/or

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other securities, as the case may be) transfer books of the Corporation are closed, such person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the Preferred Shares (or Common Shares and/or other securities, as the case may be) transfer books of the Corporation are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Right Certificate shall not be entitled to any rights of a shareholder of the Corporation with respect to shares for which the Rights shall be exercisable, including, without limitation, the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Corporation, except as provided herein.

Section 11. ADJUSTMENT OF PURCHASE PRICE, NUMBER OF SHARES OR NUMBER OF RIGHTS. The Purchase Price, the number and kind of shares covered by each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a) (i) In the event the Corporation shall at any time after the date of this Agreement (A) declare a dividend on the Preferred Shares payable in Preferred Shares, (B) subdivide the outstanding Preferred Shares, (C) combine the outstanding Preferred Shares into a smaller number of shares or (D) issue any shares of its capital stock in a reclassification of the Preferred Shares (including any such reclassification in connection with a consolidation or merger in which the Corporation is the continuing or surviving corporation), except as otherwise provided in this Section 11(a) and Section 7(e) hereof, the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of shares of capital stock issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive the

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aggregate number and kind of shares of capital stock which, if such Right had been exercised immediately prior to such date and at a time when the Preferred Shares transfer books of the Corporation were open, he would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification; PROVIDED HOWEVER, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Corporation issuable upon exercise of one Right. If an event occurs which would require an adjustment under both Section 11(a)(i) and Section 11(a)(ii), the adjustment provided for in this Section 11(a)(i) shall be in addition to, and shall be made prior to, any adjustment required by Section 11(a)(ii).

(ii) Subject to Section 24 of this Agreement, in the event any Person becomes an Acquiring Person then, promptly following the first occurrence of a Section 11(a)(ii) Event, proper provision shall be made so that each holder of a Right (except as provided below and in Section 7(e) hereof) shall hereafter have the right to receive, upon exercise thereof at the then-current Purchase Price in accordance with the terms of this Agreement, in lieu of a number of one one-hundredths of a Preferred Share, such number of Common Shares of the Corporation as shall equal the result obtained by (x) multiplying the then-current Purchase Price by the then-number of one one-hundredths of a Preferred Share for which a Right was

exercisable immediately prior to the first occurrence of a Section 11(a)(ii) Event, and (y) dividing that product (which, following such first occurrence shall thereafter be referred to as the "Purchase Price" for each Right and for all purposes of this Agreement) by 50% of the current per share market price (determined pursuant to Section 11(d) hereof) of the Common Shares on the date of such first occurrence (such number of shares, the "Adjustment Shares"); PROVIDED, HOWEVER, that

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the Purchase Price and the number of Common Shares so receivable upon exercise of a Right shall thereafter be subject to further adjustment as appropriate in accordance with Section 11(f) hereof.

(iii) The Corporation may at its option (evidenced by a certified resolution of the Corporation's Board of Directors delivered to the Rights Agent) substitute for a Common Share issuable upon the exercise of Rights in accordance with the foregoing subparagraph (ii) such number of fractions of Preferred Shares having an aggregate current market value equal to the current per share market price of a Common Share. In the event that the number of Common Shares which are authorized by the Corporation's Articles of Incorporation but not outstanding or reserved for issuance for purposes other than upon exercise of the Rights are not sufficient to permit the exercise in full of the Rights in accordance with the foregoing subparagraph (ii) of this Section 11(a), the Corporation shall to the extent permitted by applicable law and any material agreement then in effect to which the Corporation is a party: (A) determine the excess of (1) the value of the Adjustment Shares issuable upon the exercise of a Right (the "Current Value") over (2) the Purchase Price (such excess, the "Spread"), and (B) with respect to each Right, (other than Rights which have become void pursuant to Section 7(e)) make adequate provision to substitute for the Adjustment Shares, upon payment of the applicable Purchase Price, (1) cash, (2) a reduction in the Purchase Price, (3) Common Shares or other equity securities of the Corporation (including, without limitation, preferred shares which the Board of Directors of the Corporation has deemed to have the same value as Common Shares (such preferred shares, "common share equivalents")), (4) debt securities of the Corporation, (5) other assets, or (6) any combination of the foregoing, having an aggregate value equal to the Current Value (less the

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amount of any reduction in the Purchase Price), where such aggregate value has been determined by the Board of Directors of the Corporation based upon the advice of one or more investment or financial advisors selected by the Board of Directors of the Corporation; provided, however, if the Corporation shall not have made adequate provisions to deliver value pursuant to clause (B) above within thirty (30) days following the first occurrence of a Section 11(a)(ii) Event (the "Section 11(a)(ii) Trigger Date"), then the Corporation shall be obligated to deliver, to the extent permitted by applicable law and any material agreement then in effect to which the Corporation is a party, upon the surrender for exercise of a Right and without requiring payment of the Purchase Price, Common Shares (to the extent available) and then, if necessary, such number of Preferred Shares or fractions of Preferred Shares (to the extent available) and then, if necessary, cash, which shares and/or cash have an aggregate value equal to the Spread. If the Board of Directors of the Corporation shall determine in good faith that it is likely that sufficient additional Common Shares could be authorized for issuance upon exercise in full of the Rights, the thirty (30) day period set forth above may be extended to the extent necessary, but not more than ninety (90) days after the Section 11(a)(ii) Trigger Date, in order that the Corporation may seek shareholder approval for the authorization of such additional shares (such period, as it may be extended, the "Substitution Period"). To the

extent that the Corporation determines that some action need be taken pursuant to the second and/or third sentences of this Section 11(a)(iii), the Corporation (x) shall provide, subject to Section 7(e) hereof, that such action shall apply uniformly to all outstanding Rights, and (y) may suspend the exercisability of the Rights until the expiration of the Substitution Period in order to seek any authorization of additional shares and/or to decide the appropriate form of distribution to be made pursuant to such second sentence and to determine

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the value thereof. In the event of any such suspension, the Corporation shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. For purposes of this Section 11(a)(iii), the value of the Common Shares shall be the current per share market price (as determined pursuant to Section 11(d) hereof) of the Common Shares on the Section 11(a)(ii) Trigger Date and the value of any "common share equivalents" shall be deemed to have the same value as the Common Shares on such date.

(iv) In lieu of issuing Common Shares in accordance with subparagraph (ii) of this Section 11(a), the Corporation may with respect to each Right, if a majority of members of the Board of Directors determines that such action is in the best interests of the Corporation and not contrary to the interests of the holders of Rights, make adequate provision to substitute for the Adjustment Shares, (x) upon the surrender for exercise of a Right and payment of the applicable Purchase Price, (1) cash, (2) a reduction in Purchase Price, (3) Common Shares, or other equity securities of the Corporation (including without limitation common share equivalents), (4) debt securities of the Corporation, (5) other assets or (6) any combination of the foregoing having an aggregate value equal to the Current Value where such aggregate value has been determined by the Board of Directors of the Corporation based upon the advice of one or more investment or financial advisers selected by the Board of Directors of the Corporation or (y) upon the surrender for exercise of a Right and without requiring payment of the Purchase Price, (1) cash, (2) Common Shares or other equity securities of the Corporation (including, without limitation, common share equivalents), (3) debt securities of the Corporation, (4) other assets or (5) any combination of the foregoing, having an aggregate value equal to the Spread

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where such aggregate value has been determined by the Board of Directors of the Corporation based upon the advice of one or more investment or financial advisers selected by the Board of Directors of the Corporation.

(b) In the event the Corporation shall fix a record date for the issuance of rights, options or warrants to all holders of Preferred Shares entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase Preferred Shares (or shares having the same rights, privileges and preferences as the Preferred Shares ("equivalent preferred shares")) or securities convertible into Preferred Shares or equivalent preferred shares at a price per Preferred Share or equivalent preferred share (or having a conversion price per share, if a security convertible into Preferred Shares or equivalent preferred shares) less than the current per share market price of the Preferred Shares (as defined in Section 11(d)) on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of Preferred Shares outstanding on such record date plus the number of Preferred Shares which the aggregate

offering price of the total number of Preferred Shares and/or equivalent preferred shares so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such current market price, and the denominator of which shall be the number of Preferred Shares outstanding on such record date plus the number of additional Preferred Shares and/or equivalent preferred shares to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible) PROVIDED, HOWEVER, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the

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Corporation issuable upon exercise of one Right. In case such subscription price may be paid in a consideration part or all of which shall be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors of the Corporation, whose determination shall be described in a statement filed with the Rights Agent (and shall be binding on the Rights Agent and the holders of the Rights). Preferred Shares owned by or held for the account of the Corporation shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed; and in the event that such rights or warrants are not so issued, the Purchase Price shall again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(c) In the event the Corporation shall fix a record date for the making of a distribution to all holders of the Preferred Shares (including any such distribution made in connection with a consolidation or merger in which the Corporation is the continuing or surviving corporation) of evidences of indebtedness or assets (other than a regular periodic cash dividend out of the earnings or the retained earnings of the Corporation or a dividend payable in Preferred Shares) or subscription rights or warrants (excluding those referred to in Section 11(b)), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the current per share market price of the Preferred Shares (as defined in Section 11(d)) on such record date, less the fair market value (as determined in good faith by the Board of Directors of the Corporation, whose determination shall be described in a statement filed with the Rights Agent) of the portion of the assets or evidences of indebtedness so to be distributed or of such

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subscription rights or warrants applicable to one Preferred Share, and the denominator of which shall be such current per share market price of the Preferred Shares PROVIDED, HOWEVER, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Corporation to be issued upon exercise of one Right. Such adjustments shall be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, the Purchase Price shall again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(d) (i) For the purpose of any computation hereunder, other than computations made pursuant to Section 11(a)(iii) and Section 11(a)(iv) hereof, the "current per share market price" of the Preferred Shares on any date shall be deemed to be the average of the daily closing prices per share of such Preferred Shares for the 30 consecutive Trading Days (as such term is hereinafter defined) immediately prior to such date; PROVIDED, HOWEVER, that in the event that the current per share market price of the Preferred Shares

is determined during a period following the announcement by the holder of such Preferred Shares of (A) a dividend or distribution on such Preferred Shares payable in such Preferred Shares or securities convertible into such Preferred Shares (other than the Rights), or (B) any subdivision, combination or reclassification of such Preferred Shares, and prior to the expiration of the requisite 30 Trading Day period after the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the "current per share market price" shall be appropriately adjusted to take into account ex-dividend trading. The closing price for each Trading Day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported

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in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Preferred Shares are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Preferred Shares are listed or admitted to trading or, if the Preferred Shares are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") or such other system then in use, or, if on any such date the Preferred Shares are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Preferred Shares selected by the Board of Directors of the Corporation. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the Preferred Shares are listed or admitted to trading is open for the transaction of business or, if the Preferred Shares are not listed or admitted to trading on any national securities exchange, a Business Day. If the current per share market price of the Preferred Shares on any date cannot be determined in the manner provided above, the "current per share market price" of the Preferred Shares shall be conclusively deemed to be an amount equal to one hundred (as such number may be appropriately adjusted for such events as stock splits, stock dividends and recapitalizations with respect to the Common Shares occurring after the date of this Agreement) multiplied by the current per share market price of the Common Shares. If neither the Common Shares nor the Preferred Shares is publicly held or so listed or traded, "current per share market price" shall

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mean the fair value per share as determined in good faith by the Board of Directors of the Corporation, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes.

(ii) For the purpose of any computation hereunder, other than computations made pursuant to Section 11(a)(iii) and Section 11(a)(iv) hereof, the "current per share market price" of the Common Shares shall be determined in the same manner set forth above for Preferred Shares in clause (i) of this Section 11(d), PROVIDED, HOWEVER, for the purpose of any computation in Section 11(a)(iii) and Section 11(a)(iv) hereof, the "current per share market price" of the Common Shares on any date shall be deemed to be the average of the daily closing prices per Common Share for ten consecutive Trading Days immediately following such date and the reference to the "30 Trading Day period" in Section 11(d)(i)(B) shall be the "ten Trading

Day period."

(e) Anything herein to the contrary notwithstanding, no adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least 1% in such Purchase Price; PROVIDED, HOWEVER, that any adjustments which by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest ten-thousandth of a Common Share or other share or one-ten-thousandth of a Preferred Share, as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three years from the date of the transaction which requires such adjustment or (ii) the Expiration Date.

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(f) If as a result of an adjustment made pursuant to Section 11 or Section 13 hereof, the holder of any Right thereafter exercised shall become entitled to receive any shares of capital stock other than Preferred Shares, thereafter the number of such other shares so receivable upon exercise of any Right and the Purchase Price thereof shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Preferred Shares contained in Section 11(a), (b), (c), (e), (g), (h), (i), (j), (k) and (m) and the provisions of Sections 7, 9, 10, 13 and 14 hereof with respect to the Preferred Shares shall apply on like terms to any such other shares.

(g) All Rights originally issued by the Corporation subsequent to any adjustment made to the Purchase Price hereunder shall evidence the right to purchase, at the adjusted Purchase Price, the number of Preferred Shares purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Corporation shall have exercised its election as provided in Section 11(i), below, upon each adjustment of the Purchase Price as a result of the calculations made in Sections 11(b) and (c), each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of one one-hundredths of a Preferred Share (calculated to the nearest one-millionth) obtained by (i) multiplying (x) the number of one one-hundredths of a share covered by a Right immediately prior to such adjustment by (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

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(i) In lieu of the adjustment in the number of one one-hundredths of a Preferred Share purchasable upon the exercise of a Right, the Corporation instead may elect on or after the date of any adjustment of the Purchase Price to adjust the number of Rights. Each of the Rights outstanding after such adjustment of the number of Rights shall be exercisable for the number of shares or fraction of a Preferred Share for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest ten-thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Corporation shall make a public announcement of its election to adjust the number of Rights, indicating the

record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if Right Certificates have been issued, shall be at least 10 days later than the date of such public announcement. If Right Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Corporation shall, as promptly as practicable, cause to be distributed to holders of record of Right Certificates on such record date Right Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Corporation, shall cause to be distributed to such holders of record in substitution and replacement for the Right Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Corporation, new Right Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Right Certificates so to be distributed shall be

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issued, executed and countersigned in the manner provided for herein (and may bear, at the option of the Corporation, the adjusted Purchase Price) and shall be registered in the names of the holders of record of Right Certificates on the record date specified in such public announcement.

(j) Irrespective of any adjustment or change in the Purchase Price or the number of Preferred Shares issuable upon the exercise of the Rights, the Right Certificates theretofore and thereafter issued may continue to express the Purchase Price per share and the number of Preferred Shares which were expressed in the initial Right Certificates issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below the then par value, if any, of the Preferred Shares issuable upon exercise of the Rights, the Corporation shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue fully paid and nonassessable Preferred Shares at such adjusted Purchase Price.

(l) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Corporation may elect to defer until the occurrence of such event the issuance to the holder of any Right exercised after such record date the Preferred Shares and other capital stock or securities of the Corporation, if any, issuable upon such exercise over and above the Preferred Shares and other capital stock or securities of the Corporation, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; PROVIDED, HOWEVER, that the Corporation shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's

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right to receive such additional shares upon the occurrence of the event requiring such adjustment.

(m) Anything in this Section 11 to the contrary notwithstanding, the Corporation shall be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that it in its sole discretion shall determine to be advisable in order that any consolidation or subdivision of the Preferred Shares, issuance wholly for cash of any of the Preferred Shares at less than the current market price, issuance wholly for cash of Preferred Shares or securities which by their terms are convertible into or exchangeable for

Preferred Shares, stock dividends or issuance of rights, options, warrants referred to in this Section 11, hereafter made by the Corporation to holders of its Preferred Shares shall not be taxable to such shareholders.

(n) The Corporation covenants and agrees that it shall not, at any time after the Distribution Date, (i) consolidate with, (ii) merge with or into, or (iii) sell or transfer (or permit any Subsidiary to sell or transfer), in one or more transactions, assets or earning power aggregating more than 50% of the assets or earning power of the Corporation and its Subsidiaries (taken as a whole) to, any other Person if at the time of or immediately after such consolidation, merger or sale there are any rights, warrants or other instruments or securities outstanding or agreements in effect which would substantially diminish or otherwise eliminate the benefits intended to be afforded by the Rights.

(o) The Corporation covenants and agrees that, after the Distribution Date, it will not, except as permitted by Section 23 or Section 27 hereof, take (or permit any Subsidiary to take)

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any action if at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.

(p) Anything in this Agreement to the contrary notwithstanding, in the event that the Corporation shall at any time after the date of this Agreement and prior to the Distribution Date (i) pay a dividend on the outstanding Common Shares payable in Common Shares, (ii) subdivide the outstanding Common Shares, (iii) combine the outstanding Common Shares into a smaller number of shares, or (iv) issue any shares of its capital stock in a reclassification of the outstanding Common Shares, the number of Rights associated with each Common Share then outstanding, or issued or delivered thereafter but prior to the Distribution Date, shall be proportionately adjusted so that the number of Rights thereafter associated with each Common Share following any such event (including other Common Shares issued after the date of such event, but prior to the Distribution Date) shall equal the result obtained by multiplying the number of Rights associated with each Common Share immediately prior to such event by a fraction the numerator of which shall be the total number of Common Shares outstanding immediately prior to the occurrence of the event and the denominator of which shall be the total number of Common Shares outstanding immediately following the occurrence of such event.

Section 12. CERTIFICATE OF ADJUSTED PURCHASE PRICE OR NUMBER OF SHARES. Whenever an adjustment is made as provided in Sections 11 and 13 hereof, the Corporation shall (a) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment, (b) promptly file with the Rights Agent and with each transfer agent for the Preferred Shares and the Common Shares a copy of such certificate and (c) mail a brief summary thereof to each holder of a Right Certificate in accordance with Section 26 hereof.

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Section 13. CONSOLIDATION, MERGER OR SALE OR TRANSFER OF ASSETS OR EARNING POWER. (a) In the event that, following the Distribution Date, directly or indirectly, (i) the Corporation shall consolidate with, or merge with and into, any other Person, and the Corporation shall not be the continuing or surviving corporation of such consolidation or merger, (ii) any Person shall consolidate with the Corporation, or merge with and into the Corporation, and the Corporation shall be the continuing or surviving

corporation of such consolidation or merger and, in connection with such consolidation or merger, all or part of the Common Shares of the Corporation shall be changed into or exchanged for stock or other securities of any other Person or cash or any other property, or (iii) the Corporation shall sell or otherwise transfer (or one or more of its Subsidiaries shall sell or otherwise transfer), in one or more transactions, assets or earning power aggregating more than 50% of the assets or earning power of the Corporation and its Subsidiaries (taken as a whole and calculated on the basis of the Corporation's most recent regularly prepared financial statements) to any Person or Persons (other than the Corporation or any Subsidiary of the Corporation), then, and in each such case, proper provision shall be made so that (1) each holder of a Right, except as provided in Section 7(e) hereof, shall thereafter have the right to receive, upon the exercise thereof at the then-current Purchase Price in accordance with the terms of this Agreement, such number of validly authorized and issued, fully paid, non-assessable and freely tradable Common Shares of the Principal Party (as hereinafter defined), not subject to any rights of first refusal or similar rights, as shall be equal to the result obtained by (x) multiplying the then-current Purchase Price by the number of one one-hundredths of a Preferred Share for which a Right is then exercisable (or, if such Right is not currently exercisable for a number of Preferred Shares, the number of such fractional shares for which it

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was exercisable immediately prior to the first occurrence of a Section 11(a)(ii) Event and dividing that product by (y) 50% of the current per share market price of the Common Shares of such Principal Party (determined pursuant to Section 11(d)(ii) hereof) on the date of consummation of such consolidation, merger, sale or transfer; PROVIDED that the Purchase Price and the number of Common Shares of such Principal Party issuable upon exercise of each Right shall be further adjusted as provided in Section 11(f) of this Agreement to reflect any events occurring in respect of such Principal Party after the date of such consolidation, merger, sale or transfer; (2) such Principal Party shall thereafter be liable for, and shall assume, by virtue of such consolidation, merger, sale or transfer, all the obligations and duties of the Corporation pursuant to this Agreement; (3) the term "Corporation" shall thereafter be deemed to refer to such Principal Party, it being specifically intended that the provisions of Section 11 hereof shall apply only to such Principal Party following the first occurrence of an event set forth in Section 13(a) hereof; (4) such Principal Party shall take such steps (including, but not limited to, the reservation of a sufficient number of its Common Shares in accordance with Section 9) in connection with such consummation as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to its Common Shares thereafter deliverable upon the exercise of the Rights; PROVIDED that, upon the subsequent occurrence of any consolidation, merger, sale or transfer of assets or other extraordinary transaction in respect of such Principal Party, each holder of a Right shall thereupon be entitled to receive, upon exercise of a Right and payment of the Purchase Price as provided in this Section 13(a), such cash, shares, rights, warrants and other property which such holder would have been entitled to receive had such holder, at the time of such transaction, owned the Common Stock of the Principal Party

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receivable upon the exercise of a Right pursuant to this Section 13(a), and such Principal Party shall take such steps (including, but not limited to, reservation of shares of stock) as may be necessary to permit the subsequent exercise of the Rights in accordance with the terms hereof for such cash, shares, rights, warrants and other property; and (5) the provisions of

Section 11(a)(ii) hereof shall be of no effect following the first occurrence of any event set forth in this Section 13(a).

(b) "Principal Party" shall mean

(i) in the case of any transaction described in (i) or (ii) of the first sentence of Section 13(a) hereof: (A) the Person that is the issuer of the securities into which the Common Shares are converted in such merger or consolidation, or, if there is more than one such issuer, the issuer of the shares of Common Stock which has the greatest aggregate market value of shares outstanding, or (B) if no securities are so issued, (x) the Person that is the other party to the merger, if such Person survives said merger, or, if there is more than one such Person, the Person the shares of Common Stock of which have the greatest aggregate market value of shares outstanding or (y) if the Person that is the other party to the merger does not survive the merger, the Person that does survive the merger (including the Corporation if it survives) or (z) the Person resulting from the consolidation; and

(ii) in the case of any transaction described in (iii) of the first sentence in Section 13(a), the Person that is the party receiving the greatest portion of the assets or earning power transferred pursuant to such transaction or transactions, or, if such Person that is a party to such transaction or transactions receives the same portion of the assets or earning power so transferred or if the Person receiving the greatest portion of the assets or earning power cannot be

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determined, whichever of such Persons as is the issuer of Common Stock having the greatest aggregate market value of shares outstanding; PROVIDED, HOWEVER, that in any case described in the foregoing clauses (b)(i) and (b)(ii), (1) if the Common Shares of such Person are not at such time and have not been continuously over the preceding twelve (12) month period registered under Section 12 of the Exchange Act, and such Person is a direct or indirect Subsidiary of another Person the Common Shares of which are and have been so registered, "Principal Party" shall refer to such other Person; (2) in case such Person is a Subsidiary, directly or indirectly, of more than one Person, the Common Shares of two or more of which are and have been so registered, "Principal Party" shall refer to whichever of such Persons is the issuer of the Common Shares having the greatest aggregate market value or (3) if such Person is owned, directly or indirectly, by a joint venture formed by two or more Persons that are not owned, directly or indirectly, by the same Person, the rules set forth in clauses (1) and (2) above shall apply to each of the owners having an interest in the venture as if the Person owned by the joint venture was a Subsidiary of both or all of such joint venturers, and the Principal Party in each such case shall bear the obligations set forth in this Section 13 in the same ratio as its interest in such Person bears to the total of such interests.

(c) The Corporation shall not consummate any such consolidation, merger, sale or transfer unless the Principal Party shall have sufficient Common Shares authorized to permit the full exercise of the Rights and prior thereto the Corporation and such Principal Party shall have executed and delivered to the Rights Agent a supplemental agreement providing for the terms set forth in paragraphs (a) and (b) of this Section 13 and that such consolidation, merger, sale or transfer of assets shall not result in a default by the Principal Party under this Agreement as the

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same shall have been assumed by the Principal Party pursuant to paragraphs

(a) and (b) of this Section and further providing that, as soon as practicable after the date of any consolidation, merger or sale of assets mentioned in paragraph (a) of this Section 13, the Principal Party will:

(i) prepare and file a registration statement under the Act, with respect to the Rights and the securities purchasable upon exercise of the Rights on an appropriate form, and will use its best efforts to cause such registration statement to (A) become effective as soon as practicable after such filing and (B) remain effective (with a prospectus at all times meeting the requirements of the Act) until the Expiration Date; and

(ii) use its best efforts, if the Common Stock of the Principal Party shall be listed or admitted to trading on the New York Stock Exchange or on another national securities exchange to list or admit to trading (or continue the listing of) the Rights and the securities purchasable upon exercise of the Rights on the New York Stock Exchange or such securities exchange, or, if the Common Stock of the Principal Party shall not be listed or admitted to trading on the New York Stock Exchange or a national securities exchange, to cause the Rights and the securities receivable upon exercise of the Rights to be reported by such other system then in use;

(iii) deliver to holders of the Rights historical financial statements for the Principal Party which comply in all respects with the requirements for registration on Form 10 (or any successor form) under the Exchange Act; and

(iv) obtain waivers of any rights of first refusal or preemptive rights in respect of the Common Stock of the Principal Party subject to purchase upon exercise of outstanding Rights.

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(d) In case the Principal party has provision in any of its authorized securities or in its certificate of incorporation or by-laws or other instrument governing its corporate affairs, which provision would have the effect of (i) causing such Principal Party to issue (other than to holders of Rights pursuant to this Section 13), in connection with, or as a consequence of, the consummation of a transaction referred to in this Section 13, shares of Common Stock of such Principal Party at less than the then current market price per share thereof (determined pursuant to Section 11(d) hereof) or securities exercisable for, or convertible into, Common Stock of such Principal Party at less than such then current market price, or (ii) providing for any special payment, tax or similar provision in connection with the issuance of the Common Stock of such Principal Party pursuant to the provisions of Section 13, then, in such event, the Corporation hereby agrees with each holder of Rights that it shall not consummate any such transaction unless prior thereto the Corporation and such Principal Party shall have executed and delivered to the Rights Agent a supplemental agreement providing that the provision in question of such Principal Party shall have been cancelled, waived or amended, or that the authorized securities shall be redeemed, so that the applicable provision will have no effect in connection with, or as a consequence of, the consummation of the proposed transaction.

The provisions of this Section 13 shall similarly apply to successive mergers or consolidations or sales or other transfers. In the event a Section 13 Event shall occur at any time after the occurrence of a Section 11(a)(ii) Event, the Rights which have not theretofore been exercised shall thereafter become exercisable in the manner described in Section 13(a).

Section 14. FRACTIONAL RIGHTS AND FRACTIONAL SHARES.

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(a) The Corporation shall not be required to issue fractions of Rights, except prior to the Distribution Date as provided in Section 11(p) hereof, or to distribute Right Certificates which evidence fractional Rights. In lieu of such fractional Rights, there shall be paid to the registered holders of the Right Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For purposes of this Section 14(a), the current market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price for any Trading Day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading or, if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by NASDAQ or such other similar system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Corporation. If on any such date no such market maker is making a market in the Rights, the

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fair value of the Rights on such date as determined in good faith by the Board of Directors of the Corporation shall be used.

(b) The Corporation shall not be required to issue fractions of Preferred Shares (other than fractions which are integral multiples of one one-hundredth of a Preferred Share) upon exercise of the Rights or to distribute certificates which evidence fractional Preferred Shares (other than fractions which are integral multiples of one one-hundredth of a Preferred Share). Fractions of Preferred Shares in integral multiples of one one-hundredth of a share may, at the election of the Corporation, be evidenced by depositary receipts, pursuant to an appropriate agreement between the Corporation and a depositary selected by it, provided that such agreement shall provide that the holders of such depositary receipts shall have all the rights, privileges and preferences to which they are entitled as beneficial owners of the Preferred Shares. In lieu of fractional Preferred Shares that are not integral multiples of one one-hundredth of a Preferred Share, the Corporation shall pay to the registered holders of Right Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of a Preferred Share. For purposes of this Section 14(b), the current market value of a Preferred Share shall be the closing price of a Preferred Share (as determined pursuant to the second sentence of Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of such exercise.

(c) Following the occurrence of a Triggering Event, the Corporation shall not be required to issue fractions of Common Shares upon exercise of the Rights or to distribute certificates which evidence fractional Common Shares. In lieu of fractional Common Shares, the Corporation shall pay to the registered holders of Right Certificates at the time such Rights are

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exercised as herein provided an amount in cash equal to the same fraction of the current market value of one Common Share. For purposes of this Section 14(c), the current market value of one Common Share shall be the closing price of one Common Share (as determined pursuant to of Section 11(d)(ii) hereof) for the Trading Day immediately prior to the date of such exercise.

(d) The holder of a Right by the acceptance of the Rights expressly waives his right to receive any fractional Rights or any fractional shares upon exercise of a Right, except as permitted by this Section 14.

Section 15. RIGHTS OF ACTION. All rights of action in respect of this Agreement are vested in the respective registered holders of the Right Certificates (and, prior to the Distribution Date, the registered holders of the Common Shares); and any registered holder of any Right Certificate (or, prior to the Distribution Date, of the Common Shares), without the consent of the Rights Agent or of the holder of any other Right Certificate (or, prior to the Distribution Date, of any Common Shares), may, in his own behalf and for his own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Corporation to enforce, or otherwise act in respect of, his right to exercise the Rights evidenced by such Right Certificate in the manner provided in such Right Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of, the obligations of any Person subject to this Agreement.

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Section 16. AGREEMENT OF RIGHTS HOLDERS. Every holder of a Right by accepting the same consents and agrees with the Corporation and the Rights Agent and with every other holder of a Right that:

(a) prior to the Distribution Date, the Rights will be transferable only in connection with the transfer of the Common Shares;

(b) after the Distribution Date, the Right Certificates are transferable only on the registry books of the Rights Agent if surrendered at the principal office of the Rights Agent, duly endorsed or accompanied by a proper instrument of transfer; and

(c) the Corporation and the Rights Agent may deem and treat the person in whose name the Right Certificate (or, prior to the Distribution Date, the associated Common Shares certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Right Certificates or the associated Common Shares certificate made by anyone other than the Corporation or the Rights Agent) for all purposes whatsoever, and neither the Corporation nor the Rights Agent shall be affected by any notice to the contrary.

(d) notwithstanding anything in this Agreement to the contrary, neither the Corporation nor the Rights Agent shall have any liability to any holder of a Right or other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation; provided,

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however, the Corporation must use its best efforts to have any such order, decree or ruling lifted or otherwise overturned as soon as possible.

Section 17. RIGHT CERTIFICATE HOLDER NOT DEEMED A SHAREHOLDER. No holder, as such, of any Right Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of the Preferred Shares or any other securities of the Corporation which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Right Certificate be construed to confer upon the holder of any Right Certificate, as such, any of the rights of a shareholder of the Corporation or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as provided in Section 25 hereof), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by such Right Certificate shall have been exercised in accordance with the provisions hereof.

Section 18. CONCERNING THE RIGHTS AGENT. The Corporation agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Corporation also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability or expense incurred without gross negligence, bad faith or willful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability in the premises. This

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indemnification shall survive the expiration or termination of the Rights or this Rights Agreement.

The Rights Agent shall be protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this Agreement in reliance upon any Right Certificate or certificate for Preferred or Common Shares or for other securities of the Corporation, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons.

Section 19. MERGER OR CONSOLIDATION OR CHANGE OF NAME OF RIGHTS AGENT. Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to the corporate trust or stock transfer business of the Rights Agent or any successor Rights Agent, or any Affiliate of the Rights Agent that undertakes the corporate trust or stock transfer business of the Rights Agent as a result of transfer, assignment or any other means, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Right Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent.

and deliver such Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, any successor Rights Agent may countersign such Right Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

In case at any time the name of the Rights Agent shall be changed and at such time any of the Right Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, the Rights Agent may countersign such Right Certificates either in its prior name or in its changed name; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

Section 20. DUTIES OF RIGHTS AGENT. The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Corporation and the holders of Right Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Corporation), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter (including, without limitation,

the identity of any Acquiring Person and the determination of "current per share market price") be proved or established by the Corporation prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by any one of the Chairman of the Board, the President, a Vice President, the Treasurer or the Secretary of the Corporation and delivered to the Rights Agent; and such certificate shall be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder to the Corporation and any other Person only for its own gross negligence, bad faith or willful misconduct.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Right Certificates (except as to its countersignature thereof) or be required to verify the same, but all such statements and recitals are and shall be deemed to have been made by the Corporation only.

(e) The Rights Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Right Certificate (except as to its countersignature thereof); nor shall it be responsible for any breach by the Corporation of any covenant or condition contained in this Agreement or in

any Right Certificate; nor shall it be responsible for any adjustment required under the provisions of Sections 11 or 13 hereof or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of

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Rights evidenced by Right Certificates after actual notice of any such adjustment); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any Preferred Shares or Common Shares to be purchased pursuant to this Agreement or any Right Certificate or as to whether any Preferred Shares or Common Shares will, when so issued, be validly authorized and issued, fully paid and nonassessable; nor will it be liable for any federal or state transfer taxes or charges that may be due upon the issuance or transfer of any Preferred Share, Common Share or Right Certificate.

(f) The Corporation agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any one of the Chairman of the Board, the President, a Vice President, the Secretary or the Treasurer of the Corporation, and to apply to such officers for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered to be taken by it in good faith in accordance with the instructions of any such officer or for any delay in acting while waiting for such instructions. When applying to any such officer for instructions, the Rights Agent may set forth in writing (i) any proposed action or omission of the Rights Agent with respect to its duties or obligations under this Agreement and (ii) the date on or after which the Rights Agent proposes such action will be taken or omitted. Such date shall not be less than three Business Days after any such officer receives such application for instructions from the Rights Agent, unless an earlier date is

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mutually agreed to by the parties. Unless the Rights Agent has received written instructions from the Corporation (including any such officer) with respect to such proposed action or omission prior to such date (or, if longer, in the case of a proposed action to be taken, prior to the Rights Agent actually taking such action), the Rights Agent shall not be liable for the actions or omissions set forth in such application, provided that such action or omission does not violate any express provisions of this Rights Agreement. The Rights Agent may execute and exercise any of the rights or powers vested in it or perform any duty hereunder either itself or by or through its attorneys or agents.

(h) The Rights Agent and any shareholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Corporation or become pecuniarily interested in any transaction in which the Corporation may be interested, or contract with or lend money to the Corporation or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Corporation or for any other legal entity.

(i) No provision of this Agreement shall require the Rights Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights hereunder if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnification against such risk or liability is not reasonably assured to the Rights Agent.

(j) If, with respect to any Right Certificate surrendered to the Rights Agent for exercise or transfer, the certificate attached to the form of assignment or form of election to purchase, as the case may be, has either not been completed or indicates an affirmative response

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to clause 1 and/or 2 thereof, the Rights Agent shall not take any further action with respect to such requested exercise of transfer without first consulting with the Corporation.

Section 21. CHANGE OF RIGHTS AGENT. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon 30 days' notice in writing mailed to the Corporation and to each transfer agent of the Common Shares and the Preferred Shares by registered or certified mail, and to the holders of the Right Certificates by first-class mail. The Corporation may remove the Rights Agent or any successor Rights Agent upon 30 days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Common Shares and the Preferred Shares, by registered or certified mail, and to the holders of the Right Certificates by first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Corporation shall appoint a successor to the Rights Agent. If the Corporation shall fail to make such appointment within a period of 30 days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Right Certificate (who shall, with such notice, submit his Right Certificate for inspection by the Corporation), then the incumbent Rights Agent or the registered holder of any Right Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Corporation or by such a court, shall be (a) a corporation organized and doing business under the laws of the United States or any state therein, in good standing, having a principal office in a state in the United States, which is authorized under such laws to exercise corporate trust or stock transfer powers and is subject to supervision or examination by federal or state authority and

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which has at the time of its appointment as Rights Agent a combined capital and surplus of at least \$100 million or (b) an Affiliate of a corporation described in clause (a) of this sentence. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment the Corporation shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Shares and the Preferred Shares, and as soon as practicable thereafter mail a notice thereof in writing to the registered holders of the Right Certificates (which notice may be included in any regularly scheduled mailing to shareholders

whether such mailing is by first-class mail or otherwise). Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

Section 22. ISSUANCE OF NEW RIGHT CERTIFICATES. Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Corporation may, at its option, issue new Right Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Purchase Price per share and/or the number or kind or class of shares or other securities or property purchasable under the Right Certificates made in accordance with the provisions of this Agreement.

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Section 23. REDEMPTION AND TERMINATION. (a) The Board of Directors of the Corporation may, at its option, at any time prior to the Shares Acquisition Date, redeem all but not less than all of the then outstanding Rights at a redemption price of \$.01 per Right, as such amount may be appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the "Redemption Price").

(b) Immediately upon the action of the Board of Directors of the Corporation ordering the redemption of the Rights, evidence of which shall have been filed with the Rights Agent, and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price for each Right so held. Promptly after the action of the Board of Directors ordering the redemption of the Rights, the Corporation shall give notice of such redemption to the Rights Agent and to the holders of the then outstanding Rights by mailing such notice to all such holders at their last addresses as they appear upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent for the Common Shares. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. The failure to give notice or any defect in notice shall not affect the validity of the redemption. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made. Neither the Corporation nor any of its Affiliates or Associates may redeem, acquire or purchase for value any Rights at any time in any manner other than that specifically set forth in this Section 23 and other than in connection with the repurchase of Common Shares prior to the Distribution Date.

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Section 24. EXCHANGE. (a) The Board of Directors of the Corporation may, at its option, at any time after any Person first becomes an Acquiring Person, exchange all or part of the then outstanding and exercisable Rights (which shall not include Rights that have not become effective or that have become void pursuant to the provisions of Section 7(e) hereof) for Common Shares at an exchange ratio of one Common Share per Right, approximately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such amount per Right being hereinafter referred to as the "Exchange Ratio"). Notwithstanding the foregoing, the Board of Directors shall not be empowered to effect such exchange at any time (1) after any Person (other than an Exempt Person), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of Common Shares aggregating 50% or more of the Common Shares then outstanding. From and after the occurrence of a Section 13

Event, any Rights that thereafter have not been exchanged pursuant to this Section 24(a) shall thereafter be exercisable only in accordance with Section 13 and may not be exchanged pursuant to this Section 24(a). The exchange of the Rights by the Board of Directors may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish.

(b) Immediately upon the effectiveness of the action of the Board of Directors of the Corporation ordering the exchange of any Rights pursuant to paragraph (a) of this Section 24 and without any further action and without any notice, the right to exercise such Rights shall terminate and the only right thereafter of a holder of such Rights shall be to receive that number of Common Shares equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. The Corporation shall promptly give public notice of any such exchange; PROVIDED, HOWEVER, that the failure to give, or any defect in, such notice shall not affect the

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validity of such exchange. The Corporation shall promptly mail a notice of any such exchange to all of the holders of the Rights so exchanged at their last addresses as they appear upon the registry books of the Rights Agent. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the Common Shares for Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange shall be effected pro rata based on the number of Rights (other than Rights which have become void pursuant to the provisions of Section 11(a)(ii) hereof) held by each holder of Rights.

(c) The Corporation may at its option and in the event that there shall not be sufficient Common Shares issued but not outstanding or authorized but unissued to permit an exchange of Rights as contemplated in accordance with this Section 24, the Corporation shall substitute to the extent of such insufficiency, for each Common Share that would otherwise be issuable upon exchange of a Right, a number of Preferred Shares or fraction thereof (or equivalent preferred shares as such term is defined in Section 11(b)) such that the current per share market price (determined pursuant to Section 11(d) hereof) of one Preferred Share (or equivalent preferred share) multiplied by such number or fraction is equal to the current per share market price of one Common Share (determined pursuant to Section 11(d) hereof) as of the date of such exchange.

Section 25. NOTICE OF CERTAIN EVENTS. In case the Corporation shall propose, at any time after the Distribution Date, (a) to pay any dividend payable in stock of any class to the holders of its Preferred Shares or to make any other distribution to the holders of Preferred Shares (other than a regular periodic cash dividend out of earnings or retained earnings of the

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Corporation) or (b) to offer to the holders of its Preferred Shares rights or warrants to subscribe for or to purchase any additional Preferred Shares or shares of stock of any class or any other securities, rights or options, or (c) to effect any reclassification of its Preferred Shares (other than a reclassification involving only the subdivision of outstanding Preferred Shares), or (d) to effect any consolidation or merger into or with, or to effect any sale or other transfer (or to permit one or more of its Subsidiaries to effect any sale or other transfer), in one or more transactions, of more than 50% of the assets or earning power of the

Corporation and its Subsidiaries (taken as a whole) to, any other person, or (e) to effect the liquidation, dissolution or winding up of the Corporation, then, in each such case, the Corporation shall give to each holder of a Right Certificate, to the extent feasible and in accordance with Section 26 hereof, a notice of such proposed action, which shall specify the record date for the purposes of such stock dividend, distribution of rights or warrants, or the date on which such reclassification, consolidation, merger, sale, transfer, liquidation, dissolution, or winding up is to take place and the date of participation therein by the holders of the Preferred Shares, if any such date is to be fixed, and such notice shall be so given in the case of any action covered by clause (a) or (b) above at least 20 days prior to the record date for determining holders of the Preferred Shares for purposes of such action, and in the case of any such other action, at least 20 days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the Preferred Shares, whichever shall be the earlier.

In case any Section 11(a)(ii) Event shall occur, then, in any such case, (i) the Corporation shall as soon as practicable thereafter give to each holder of a Right Certificate, to the extent feasible and in accordance with Section 26 hereof, a notice of the occurrence of such event,

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which shall specify the event and the consequences of the event to holders of Rights under Section 11(a)(ii) hereof, and (ii) all references in the preceding paragraph to Preferred Shares shall be deemed thereafter to refer to Common Shares and/or, if appropriate, other securities.

Section 26. NOTICES. Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Right Certificate to or on the Corporation shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

Cincinnati Bell Inc.
201 East Fourth Street
Cincinnati, Ohio 45202
Attention: Secretary

Subject to the provisions of Section 21, any notice or demand authorized by this Agreement to be given or made by the Corporation or by the holder of any Right Certificate to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Corporation) as follows:

The Fifth Third Bank
Corporate Trust Operations
Mail Drop 1090F5
38 Fountain Square Plaza
Cincinnati, Ohio 45263

Subject to the provisions of Sections 19 and 21, notices or demands authorized by this Agreement to be given or made by the Corporation or the Rights Agent to the holder of any Right Certificate shall be sufficiently given or made if sent by first class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Corporation.

Section 27. SUPPLEMENTS AND AMENDMENTS. Except as otherwise provided in this Section 27, for so long as the Rights are then redeemable, the Corporation may in its sole and

absolute discretion, and the Rights Agent shall if the Corporation so directs, supplement or amend any provision of this Agreement in any respect without the approval of any holders of the Rights. At any time when the Rights are no longer redeemable, except as otherwise provided in this Section 27, the Corporation may, and the Rights Agent shall, if the Corporation so directs, supplement or amend this Agreement without the approval of any holders of Rights Certificates in order to (i) cure any ambiguity, (ii) correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, (iii) shorten or lengthen any time period hereunder, or (iv) change or supplement the provisions hereunder in any manner which the Corporation may deem necessary or desirable; provided that no such supplement or amendment shall adversely affect the interests of the holders of Rights as such (other than an Acquiring Person or an Affiliate or Associate of an Acquiring Person), and no such amendment may cause the Rights again to become redeemable or cause the Agreement again to become amendable other than in accordance with this sentence. Notwithstanding anything contained in this Agreement to the contrary, no supplement or amendment shall be made which decreases the Redemption Price. Upon the delivery of a certificate from an appropriate officer of the Corporation which states that the proposed supplement or amendment is in compliance with the terms of this Section 27, the Rights Agent shall execute such supplement or amendment.

Section 28. SUCCESSORS. All the covenants and provisions of this Agreement by or for the benefit of the Corporation or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 29. DETERMINATIONS AND ACTIONS BY THE BOARD OF DIRECTORS, ETC.

(a) For all purposes of this Agreement, any calculation of the number of Common Shares outstanding at any

particular time, including for purposes of determining the particular percentage of such outstanding Common Shares of which any Person is the Beneficial Owner, shall be made in accordance with the provisions of Rule 13d-3(d)(1)(i) of the General Rules. The Board of Directors of the Corporation shall have the exclusive power and authority to administer this Agreement and to exercise all rights and powers specifically granted to the Board, or the Corporation, or as may be necessary or advisable in the administration of this Agreement, including, without limitation, the right and power to (i) interpret the provisions of this Agreement, and (ii) make all determinations deemed necessary or advisable for the administration of this Agreement (including a determination to redeem or not redeem the Rights or to amend the Agreement. All such actions, calculations, interpretations and determinations (including, for purpose of clause (ii) below, all omissions with respect to the foregoing) which are done or made by the Board in good faith, shall (i) be final, conclusive and binding on the Corporation, the Rights Agent, the holders of the Right Certificates and all other parties and (ii) not subject the Board to any liability to the holders of the Right Certificates.

(b) For purposes of this Agreement, any determination to be made by the Board of Directors of the Corporation may be by a duly constituted committee thereof if so authorized to act by the Board of Directors pursuant to the Corporation's Regulations, and in such circumstances any reference to the Board

of Directors herein shall be deemed to include a reference to such committee.

Section 30. BENEFIT OF THIS AGREEMENT. Nothing in this Agreement shall be construed to give to any Person other than the Corporation, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, registered holders of the Common

Shares) any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Corporation, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, registered holders of the Common Shares).

Section 31. SEVERABILITY. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Section 32. GOVERNING LAW. This Agreement, each Right and each Right Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Ohio and for all purposes shall be governed by and construed in accordance with the laws of Ohio applicable to contracts made and to be performed entirely within such State.

Section 33. COUNTERPARTS. This Agreement may be executed in any number of counterparts and each such counterpart shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 34. DESCRIPTIVE HEADINGS. Descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

IN WITNESS HEREOF, the parties hereto have caused this Agreement to be duly executed and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

Attest: CINCINNATI BELL INC.

By /s/ William H. Zimmer

William H. Zimmer
Secretary

/s/ John T. LaMacchia

John T. LaMacchia
President and Chief Executive Officer

Attest: THE FIFTH THIRD BANK

By -----
Name -----

/s/ Dana S. Hushak

Dana S. Hushak
Vice President and Trust Officer

Title -----

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Exhibit A Form of Certificate of Amendment to Amended Articles of Incorporation of Cincinnati Bell Inc.

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EXHIBIT A

CERTIFICATE OF AMENDMENT
BY THE
BOARD OF DIRECTORS
OF
CINCINNATI BELL INC.

The undersigned, Brian C. Henry, Executive Vice President and Chief Financial Officer, and William H. Zimmer III, Secretary, of Cincinnati Bell Inc., an Ohio corporation (the "Corporation"), DO HEREBY CERTIFY that for and on behalf of the Corporation as follows:

The following resolution to amend the Corporation's Amended Articles of Incorporation was adopted by the Board of Directors of the Corporation, pursuant to Section 1701.70(B)(1) of the Ohio Revised Code, at a meeting of such Board of Directors duly called and held on March 3, 1997, at which meeting a quorum was present. Of the 4,000,000 authorized Voting Preferred Shares of the Corporation, without par value (the "Voting Preferred Shares"), of which all are unissued, the following resolution was adopted to increase the number of authorized shares of a series of such Voting Preferred Shares (the "Series A Preferred Shares") from 250,000 to 2,000,000 and to read as follows:

RESOLVED FURTHER, that the first paragraph of Article Fourth, Section 9, of the Corporation's Amended Articles of Incorporation be amended and restated to increase the number of authorized shares of the series from 250,000 to 2,000,000 and to read as follows:

Of the 4,000,000 Voting Preferred Shares of the corporation, 2,000,000 shall constitute a series of Voting Preferred Shares designated as Series A Preferred Shares (the "Series A Preferred Shares") and have, subject and in addition to the other provisions of this Article Fourth, the following relative rights, preferences and limitations:

IN WITNESS WHEREOF, we have executed and subscribed this Certificate and do affirm the foregoing as true under the penalties of perjury this 23rd day of April, 1997.

/s/ Brian C. Henry

Brian C. Henry, Executive Vice President and Chief
Financial Officer

/s/ William H. Zimmer III

William H. Zimmer III, Secretary

Exhibit B Form of Right Certificate

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EXHIBIT B

{FORM OF RIGHTS CERTIFICATE}

Certificate No. R- _____ Rights

NOT EXERCISABLE AFTER MAY 2, 2007 OR EARLIER IF REDEEMED BY THE COMPANY (AS DEFINED HEREINAFTER). THE RIGHTS ARE SUBJECT TO REDEMPTION, AT THE OPTION OF THE COMPANY, AT \$.01 PER RIGHT ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT. UNDER CERTAIN CIRCUMSTANCES, RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON (AS SUCH TERM IS DEFINED IN THE RIGHTS AGREEMENT) AND ANY SUBSEQUENT HOLDER OF SUCH RIGHTS MAY BECOME NULL AND VOID. {THE RIGHTS REPRESENTED BY THIS RIGHTS CERTIFICATE ARE OR WERE BENEFICIALLY OWNED BY A PERSON WHO WAS OR BECAME AN ACQUIRING PERSON OR AN AFFILIATE OR ASSOCIATE OF AN ACQUIRING PERSON (AS SUCH TERM IS DEFINED IN THE RIGHTS AGREEMENT)}. ACCORDINGLY, THIS RIGHTS CERTIFICATE AND THE RIGHTS REPRESENTED HEREBY MAY BECOME NULL AND VOID IN THE CIRCUMSTANCES SPECIFIED IN SECTION 7(e) OF SUCH AGREEMENT.} (1)

Rights Certificate

CINCINNATI BELL INC.

This certifies that _____, or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Shareholder Rights Plan, the terms of which are set forth in the Rights Agreement dated as of April 29, 1997 (the "Rights Agreement"), between Cincinnati Bell Inc., an Ohio corporation (the "Company"), and The Fifth Third Bank (the "Rights Agent"), to purchase from the Company at any time after the Distribution Date (as such term is defined in the Rights Agreement) and prior to 5:00 P.M. (Cincinnati, Ohio time) on May 2, 2007 at the office or offices of the Rights Agent designated for such purpose, or its successors as Rights Agent, one one-hundredth of a fully paid, nonassessable Series A Preferred Share (the "Preferred Shares") of the Company, at a purchase price of \$125 per one one-hundredth of a share (the "Purchase Price"), upon presentation and surrender of this Rights Certificate with the Form of Election to Purchase and related Certificate duly executed. The Purchase Price may be paid in cash or by certified bank check or money order payable to the order of the Company. The number of Rights evidenced by this Rights Certificate (and the number of shares which may be purchased upon

(1) The portion of the legend in brackets shall be inserted only if

applicable, shall be modified to apply to an Acquiring Person, and shall replace the preceding sentence.

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exercise thereof) set forth above, and the Purchase Price per share set forth above, are the number and Purchase Price as of May 2, 1997, based on the Preferred Shares as constituted at such date.

Upon the occurrence of a Section 11(a)(ii) Event (as such term is defined in the Rights Agreement), if the Rights evidenced by this Rights Certificate are beneficially owned by (i) an Acquiring Person, or an Affiliate or Associate of any such Person (as such terms are defined in the Rights Agreement), (ii) a transferee of any such Acquiring Person, Associate or Affiliate, or (iii) under certain circumstances specified in the Rights Agreement, a transferee of a person who, after such transfer, became an Acquiring Person, or an Affiliate or Associate of any such Person, such Rights shall become null and void and no holder hereof shall have any right with respect to such Rights from and after the occurrence of such Section 11(a)(ii) Event.

As provided in the Rights Agreement, the Purchase Price and the number and kind of Preferred Shares or other securities which may be purchased upon the exercise of the Rights evidenced by this Rights Certificate are subject to modification and adjustment upon the happening of certain events, including Triggering Events (as such term is defined in the Rights Agreement).

This Rights Certificate is subject to all of the terms, provisions, and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Rights Certificates, which limitations of rights include the temporary suspension of the exercisability of such Rights under the specific circumstances set forth in the Rights Agreement. Copies of the Rights Agreement are available upon written request to the Company.

This Rights Certificate, with or without other Rights Certificates, upon surrender at the principal office or offices of the Rights Agent designated for such purpose, may be exchanged for another Rights Certificate or Rights Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number of Preferred Shares as the Rights evidenced by the Rights Certificate or Rights Certificates surrendered shall have entitled such holder to purchase. If this Rights Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Rights Certificate or Rights Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Certificate may be redeemed by the Company at its option at a redemption price of \$.01 per Right at any time prior to the Shares Acquisition Date.

No holder of this Rights Certificate, as such, shall be entitled to vote or receive dividends or be deemed for any purpose the holder of Preferred Shares or of any other securities of the Company which may at any time be issuable on the exercise hereof, nor shall anything contained in the

Rights Agreement or herein construed to confer upon the holder thereof, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any

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corporate action, or, to receive notice of meetings or other actions affecting shareholders except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by this Rights Certificate shall have been exercised as provided in the Rights Agreement.

This Rights Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS, the facsimile signature of the proper officers of the Company and its corporate seal.

Dated as of _____, _____.

ATTEST: CINCINNATI BELL INC.

Secretary

By: _____
Title: _____

Countersigned:
THE FIFTH THIRD BANK, Rights Agent

By: _____
Authorized Signature

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{FORM OF REVERSE SIDE OF RIGHTS CERTIFICATE}

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Rights Certificate.)

FOR VALUE RECEIVED _____ hereby sells, assigns and transfers unto _____ (Please print name and address of transferee)

_____ this Rights Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____

Attorney, to transfer the within Rights Certificate on the books of the within-named Company, with full power of substitution.

Dated: _____, _____

Signature

Signature Guaranteed: _____

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CERTIFICATE

The undersigned hereby certifies by checking the appropriate boxes that:

(1) this Rights Certificate { } is { } is not being sold, assigned and transferred by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Person (as such terms are defined pursuant to the Rights Agreement);

(2) after due inquiry and to the best knowledge of the undersigned, it { } did { } did not acquire the Rights evidenced by this Rights Certificate from any Person who is, was or subsequently became an Acquiring Person or an Affiliate or Associate of any such Person.

Dated: _____, _____

Signature

Signature Guaranteed: _____

NOTICE

The signature to the foregoing Assignment and Certificate must correspond to the name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.

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FORM OF ELECTION TO PURCHASE

(To be executed if holder desires to exercise Rights represented by Rights Certificate.)

To: CINCINNATI BELL INC.

The undersigned hereby irrevocably elects to exercise _____ Rights represented by this Rights Certificate to purchase the Preferred Shares issuable upon the exercise of the Rights (or such other securities or property of the Company or of any other person which may be issuable upon the exercise of the Rights) and requests that certificates for such shares be issued in the name of and delivered to:

Please insert social security or other identifying number: _____

(Please print name and address)

If such number of Rights shall not be all the Rights evidenced by this Rights Certificate, a new Rights Certificate for the balance of such Rights shall be registered in the name of and delivered to:

Please insert social security or other identifying number: _____

(Please print name and address)

Dated: _____, _____

Signature

Signature Guaranteed: _____

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CERTIFICATE

The undersigned hereby certifies by checking the appropriate boxes that:

(1) the Rights evidenced by this Rights Certificate { } are { } are not being exercised by or on behalf of a Person who is or was an Acquiring Person, or an Affiliate or Associate of any such Person (as such terms are defined pursuant to the Rights Agreement);

(2) after due inquiry and to the best knowledge of the undersigned, it { } did { } did not acquire the Rights evidenced by this Rights Certificate from any Person who is, was or became an Acquiring Person, or an Affiliate or Associate of any such Person.

Dated: _____, _____

Signature

Signature Guaranteed: _____

NOTICE

The signature to the foregoing Election to Purchase and Certificate must correspond to the name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.

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Exhibit C Summary of Rights to Purchase Preferred Shares

EXHIBIT

SUMMARY OF RIGHTS TO PURCHASE PREFERRED SHARES

On March 3, 1997, the Board of Directors of Cincinnati Bell Inc. (the "Company") declared a dividend distribution of one right ("Right") on each of the Company's outstanding Common Shares, par value \$1.00 per share (the "Common Shares"), to holders of record of the Common Shares at the close of business on May 2, 1997 (the "Record Date"). One Right also will be distributed for each Common Share issued after May 2, 1997, until the Distribution Date (which is described in the next paragraph). Each Right entitles the registered holder to purchase from the Company a unit ("Unit") consisting of one one-hundredth of a Series A Preferred Share of the Company (the "Preferred Shares") at a purchase price of \$125 per Unit, subject to adjustment (the "Purchase Price"). The description and terms of the Rights are set forth in a Rights Agreement dated as of April 29, 1997 (the "Rights Agreement") between the Company and The Fifth Third Bank, as Rights Agent.

Initially, the Rights will be attached to all Common Share certificates representing shares then outstanding, and no separate Rights Certificates will be distributed. The Rights will separate from the Common Shares and a Distribution Date will occur upon the earliest of (i) 10 business days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the outstanding Common Shares or (ii) 10 business days following the commencement of a tender offer or exchange offer that would if consummated result in a person or group beneficially owning 15% or more of the outstanding Common Shares.

Until the Distribution Date (i) the Rights will be evidenced by the Common Share certificates and will be transferred with and only with such Common Share certificates, (ii) new Common Share certificates issued after May 2, 1997 will contain a notation incorporating the Rights Agreement by reference and (iii) the surrender for transfer of any certificates for Common Shares outstanding will also constitute the transfer of the Rights associated with the Common Shares represented by such certificate.

The Rights are not exercisable until the Distribution Date and will expire at the close of business on May 2, 2007, unless earlier redeemed by the Company as described below.

As soon as practicable after the Distribution Date, Rights Certificates will be mailed to holders of record of the Common Shares as of the close of business on the Distribution Date and, thereafter, the separate Rights Certificates alone will represent the Rights. Except for certain issuances in connection with outstanding options and convertible securities and as otherwise determined by the Board of Directors, only Common Shares issued prior to the Distribution Date will be issued with Rights.

If a person becomes the beneficial owner of 15% or more of the Common Shares

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("Flip-In Event"), each holder of a Right will have the right to receive, upon exercise, Common Shares having a value equal to two times the exercise price (Purchase Price) of the Right. Moreover, the Rights will not be exercisable until the Rights are no longer redeemable as described below. If the Company does not have enough authorized Common Shares to satisfy the exercise of the Rights, the Company will be required to substitute value in the form of cash, property, debt or equity securities, or a reduction of the Purchase Price, or any combination of the foregoing, in an aggregate amount

equal to the value of the Common Shares which would otherwise be issuable. In addition, the Company may provide that, in lieu of payment of any exercise price by holders of the Rights, the Company will issue to such holders securities equal to the value of the spread between the exercise price and the value of the Common Shares. The Acquiring Person would not be permitted to exercise any Rights and any Rights held by such person (or certain transferees of such person) will be null and void and non-transferable.

For example, at an exercise price of \$125 per Right, each Right not owned by an Acquiring Person (or by certain related parties) following a Flip-In Event would entitle its holder to purchase \$250 worth of Common Shares (or other consideration, as noted above) for \$125. Assuming that the Common Shares had a per share value of \$25 at such time, the holder of each valid Right would be entitled to purchase ten Common Shares for \$125. Alternatively, at the discretion of the Board of Directors, each Right following a Flip-In Event, without payment of the exercise price, would entitle its holder to Common Shares (or other consideration, as noted above) with a value of \$125.

If, following the Distribution Date, the Company is acquired in certain specified mergers or other business combinations (I.E., the Company does not survive or its Common Shares are changed or exchanged), or 50% or more of its assets or earning power (on a consolidated basis) is sold or transferred in one transaction or a series of related transactions ("Flip-Over Events"), each Right becomes a Right to acquire common stock of the other party to the transaction (or its ultimate parent in certain circumstances) having a value equal to two times the Purchase Price. As an enforcement mechanism, the Rights Agreement prohibits the Company from entering into any such transaction unless the other party agrees to comply with the provisions of the Rights.

The Purchase Price payable and the number of Units of Preferred Shares or other securities or property issuable upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Preferred Shares, (ii) if holders of the Preferred Shares are granted certain rights or warrants to subscribe for Preferred Shares or convertible securities at less than the current market price of the Preferred Shares, or (iii) upon the distribution to holders of the Preferred Shares of evidences of indebtedness or assets (excluding regular quarterly cash dividends) or of subscription rights or warrants (other than those referred to above).

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments amount to at least 1% of the Purchase Price. No fractional Units will be issued and, in lieu thereof, an adjustment in cash will be made based on the market price of the

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Preferred Shares on the last trading date prior to the date of exercise.

In general, the Company may redeem the Rights in whole, but not in part, at a price of \$0.01 per Right, at any time prior to a Flip-In Event. Immediately upon the action of the Board of Directors ordering redemption of the Rights, the Rights will terminate and the only right of the holders of Rights will be to receive the \$0.01 redemption price.

Until a Right is exercised, the holder thereof, as such, will have no rights as a shareholder of the Company, including, without limitation, the right to vote or to receive dividends. While the distribution of the Rights will not be taxable to shareholders or to the Company, shareholders may, depending upon the circumstances, recognize taxable income in the event that

the Rights become exercisable for shares (or other consideration) of the Company or for common stock of the acquiring company as set forth above.

As long as the Rights are redeemable, the Company may amend any provision of the Rights Agreement in any respect without the approval of the holders of the Rights. At any time when the Rights are no longer redeemable, the Company may amend the Rights Agreement without the approval of the holders of the Rights in order to cure any ambiguity, correct or supplement any provision which may be defective or inconsistent with any other provision, shorten or lengthen any time period, or change or supplement the provisions in any manner in which the Company may deem necessary or desirable; provided that no such supplement or amendment shall adversely affect the interests of the holders of the Rights, and no such amendment may cause the Rights again to become redeemable or cause the Rights Agreement again to become amendable other than in accordance with the terms of the original Rights Agreement.

A copy of the Rights Agreement has been filed with the Securities and Exchange Commission as an Exhibit to a Registration Statement on Form 8-A dated May 1, 1997. A copy of the Rights Agreement is available free of charge from the Company. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which is incorporated herein by reference.

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PLAN OF REORGANIZATION AND DISTRIBUTION AGREEMENT

THIS PLAN OF REORGANIZATION AND DISTRIBUTION AGREEMENT (the "Agreement") is made and entered into this 20th day of July, 1998, by and between CINCINNATI BELL INC., an Ohio corporation ("CBI"), and CONVERGYS CORPORATION, an Ohio corporation ("CONVERGYS").

PRELIMINARY STATEMENT

CBI is the sole shareholder of CONVERGYS. The Board of Directors of CBI has determined that it is in the best interest of CBI and its shareholders to separate the billing and information services segment and the customer management solutions segment of its business from the telephone operations segment of its business. It is the intention of CBI to contribute to CONVERGYS all of the outstanding shares of Cincinnati Bell Information Systems Inc. ("CBIS"), a wholly owned subsidiary of CBI, and of MATRIX Marketing Inc. ("MATRIX"), a wholly owned subsidiary of CBI, and certain assets and to assign certain liabilities, and to make other arrangements to establish CONVERGYS as a separate enterprise for the purpose of engaging in the billing and information services and the customer management solutions businesses (the "Business").

CBI's Board of Directors has determined that CBI will cause CONVERGYS to make an initial public offering (the "IPO") of up to 19.9% of its outstanding common shares, without par value (the "Common Shares"), and, subsequent to the IPO and subject to certain conditions, distribute to CBI's shareholders all of the outstanding shares of CONVERGYS owned by CBI through a spinoff (the "Distribution"). The IPO and the Distribution are together referred to herein as the "Separation" and will result in the total and complete separation of the Business and CONVERGYS from CBI at the time of the Distribution (the "Distribution Date"); provided, however, that CONVERGYS may continue to provide services to CBI and CBI may provide services to CONVERGYS pursuant to a services agreement, after the Distribution Date.

The parties hereto have determined that it is necessary and

desirable to set forth in this Agreement and in other agreements, instruments, understandings and assignments entered into in

connection with the transactions contemplated hereby, including, without limitation, a Services Agreement (the "Services Agreement"), a Tax Separation and Allocation Agreement (the "Tax Allocation Agreement") and an Employee Benefits Agreement ("the Employee Benefits Agreement") (collectively, the "Ancillary Agreements"), all such agreements being between CONVERGYS and CBI, the principal corporate transactions determined by CBI and CONVERGYS to be appropriate to effect the Separation and that will govern certain other matters between the date hereof and the Distribution and following the Distribution.

Simultaneously with the execution of this Agreement, CBI and CONVERGYS are entering into the Ancillary Agreements.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual representations, warranties, covenants and agreements contained herein, other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, the parties do hereby agree as follows:

ARTICLE 1
THE TRANSFER

1.1 TRANSFER OF ASSETS. On the terms and subject to the conditions set forth in this Agreement, and the other agreements and instruments of conveyance contemplated hereunder, simultaneously with the execution and delivery of this Agreement, CBI has heretofore transferred, assigned and conveyed to CONVERGYS all of CBI's right, title, and interest in the CONVERGYS Assets, and CONVERGYS hereby acknowledges its receipt of the CONVERGYS Assets. CONVERGYS Assets means any:

- (a) All of the issued and outstanding shares of CBIS and MATRIX;
- (b) Any and all assets that are expressly contemplated by this Agreement or any other agreement or document contemplated by this Agreement (or any Schedule hereto or thereto) as assets to be transferred to CONVERGYS; and
- (c) All assets reflected in the CONVERGYS balance sheet dated March 31, 1998 as assets of CONVERGYS, subject to any dispositions of such assets subsequent to the date of such balance sheet.

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1.2 ASSUMPTION OF LIABILITIES. On the terms and subject to the conditions set forth in this Agreement and the other agreements and instruments of conveyance contemplated hereunder, simultaneous with the execution and delivery of this Agreement, CONVERGYS hereby assumes and agrees faithfully to perform and fulfill all of the CONVERGYS Liabilities, in accordance with their respective terms. CONVERGYS shall be responsible for all the CONVERGYS Liabilities, regardless of when or where such liabilities arose or arise, or whether the facts on which they are based occurred prior to or subsequent to the date hereof, regardless of where or against whom such liabilities are asserted

or determined or whether assigned or determined prior to the date hereof.
CONVERGYS Liabilities means:

(a) Any and all liabilities set forth on Schedule 1.2 attached hereto, including those liabilities reflecting any inter-company indebtedness;

(b) Any and all liabilities that are expressly contemplated by this Agreement or any other agreement or document contemplated by this Agreement or otherwise (or the Schedules hereto or thereto) as liabilities to be assumed by CONVERGYS; and

(c) All liabilities reflected as liabilities or obligations of CONVERGYS in its balance sheet dated March 31, 1998, subject to any discharge of such liabilities subsequent to the date of such balance sheet.

1.3 FURTHER ASSURANCES. In the event that at any time or from time to time (whether prior to or after the Distribution Date), any party hereto shall receive or otherwise possess any asset that is allocated to any other Person pursuant to this Agreement or any Ancillary Agreement, such party shall promptly transfer, or cause to be transferred, such asset to the Person so entitled thereto. Prior to any such transfer, the Person receiving such asset shall hold such asset in trust for any such other Person.

1.4 DOCUMENTS RELATING TO TRANSFER OF REAL PROPERTY INTERESTS AND TANGIBLE PROPERTY LOCATED THEREON.

(a) In furtherance of the assignment, transfer and conveyance of the Assets and the assumption of Liabilities set forth in Sections 1.1 and 1.2, simultaneously with the execution and delivery hereof or as promptly as practicable thereafter, each of CBI and

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CONVERGYS, or their applicable subsidiaries, is executing and delivering or will execute and deliver deeds, lease assignments and assumptions, leases or subleases to be mutually agreed to by CBI and CONVERGYS, with such changes as may be necessary to conform to any laws, regulations or usage applicable in the jurisdiction in which the relevant real property is located. Set forth in or referenced by Schedule 1.4 attached hereto is, among other things, a summary of each property or interest therein to be conveyed, assigned, leased or subleased, the applicable entities relevant to each property and their capacities with respect to each property (e.g., as transferor, transferee, assignor, assignee, lessor, lessee, sub-lessor, or sub-lessee), and any terms applicable to each property that are not specified in the forms of deed, lease assignment and assumption, lease or sublease (e.g., rent and term).

(b) Except as otherwise expressly provided in this Agreement, all tenant improvements, fixtures, furniture, office equipment, servers, private branch exchanges, and other tangible property ((other than equipment subject to capital or operating equipment leases, which will be transferred or retained based on whether the associated capital or operating equipment lease is or is not held pursuant to a contract of CBI)) located as of the Closing Date on any real property that is referred to in Section 1.4(a), including the Schedules thereto, shall, except to the extent expressly set forth on a Schedule referred to in Section 1.4(a), be transferred or retained as follows:

(i) Deeds And Assignments. In the case of any real property or leasehold interests set forth on Schedule 1.4 that is covered by a deed or

lease assignment and assumption, all such tangible property will be transferred to the transferee or assignee of the applicable real property or leasehold interest;

(ii) Shared Facilities With Third Party Leases. In the case of any real property or leasehold interests covered by a lease, all such tangible property will be retained by the lessor under the applicable lease, except that any such tangible property (other than tenant improvements, fixtures and furniture) used exclusively by the lessee shall be transferred to, or retained by, the lessee.

(iii) Shared Domestic Facilities With Third Party Leases. In the case of any real property or leasehold interests covered by a sublease, all such tangible property will be

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retained by the sub-lessor under the applicable sublease, except that any such tangible property (other than tenant improvements and fixtures), including furniture used exclusively by the sub-lessee shall be transferred to, or retained by, such sub-lessee.

In the case of this Section 1.4, all determinations as to exclusive use by any member of a Group shall be made without regard to infrequent and immaterial use by the members of any other Group, if the transfer of such Asset to, or the retention of such Asset by, such first Group would not interfere in any material respect with either the business or operations of any such other Group.

(c) In the case of any real property or leasehold interest that is covered by Section 1.4(b)(i) and any of Section 1.4(b)(ii) or (iii), all such tangible property shall first be allocated pursuant to the provisions of Section 1.4(b)(i) and thereafter pursuant to whichever of such other clauses is applicable.

1.5 DOCUMENTS RELATING TO OTHER TRANSFERS OF ASSETS AND ASSUMPTION OF LIABILITIES. In furtherance of the assignment, transfer and conveyance of the CONVERGYS Assets and the assumption of CONVERGYS Liabilities set forth in Sections 1.1 and 1.2, simultaneously with the execution and delivery hereof or as promptly as practicable thereafter, (i) each of CBI and CONVERGYS shall execute and deliver, and each shall cause its respective subsidiaries to execute and deliver, such bills of sale, stock powers, certificates of title, assignments of contracts and other instruments of transfer, conveyance and assignment as and to the extent necessary to evidence the transfer, conveyance and assignment of all of CBI's and its subsidiaries' right, title and interest in and to the Assets to CONVERGYS and (ii) CONVERGYS shall execute and deliver, to CBI and its subsidiaries such bills of sale, stock powers, certificates of title, assumptions of contracts and other instruments of assumption as and to the extent necessary to evidence the valid and effective assumption of the CONVERGYS Liabilities by CONVERGYS.

1.6 OTHER ANCILLARY AGREEMENTS. Effective as of the date hereof, each of CBI and CONVERGYS will execute and deliver all Ancillary Agreements to which it is a party.

1.7 CONSENTS. Each party hereto understands and agrees that no party hereto is, in this Agreement or in any other agreement or document contemplated by this Agreement or otherwise,

representing or warranting in any way that the obtaining of any consents or approvals, the execution and delivery of any agreements or the making of any filings or applications contemplated by this Agreement will satisfy the provisions of any or all applicable agreements or the requirements of any or all applicable laws or judgments, it being agreed and understood that the party to which any assets were or are transferred shall bear the economic and legal risk that any necessary consents or approvals are not obtained or that any requirements of laws or judgments are not complied with. Notwithstanding the foregoing, the parties shall use reasonable best efforts to obtain all consents and approvals, to enter into all agreements and to make all filings and applications which may be required for the consummation of the filings and applications which may be required for the consummation of the transactions contemplated by this Agreement or any other agreement or document contemplated by this Agreement or otherwise, including, without limitation, all applicable regulatory filings or consents under federal or state laws and all necessary consents, approvals, agreements, filings and applications.

1.8 DISCLAIMER OF REPRESENTATIONS AND WARRANTIES.

(a) Each of CBI (on behalf of itself and each member of the CBI Group) and CONVERGYS (on behalf of itself and each member of the CONVERGYS Group) understands and agrees that, except as expressly set forth herein or in any Ancillary Agreement, no party to this Agreement, any Ancillary Agreement or any other agreement or document contemplated by this Agreement, any Ancillary Agreement or otherwise, is representing or warranting in any way as to the assets, businesses or liabilities transferred or assumed as contemplated hereby or thereby, as to any consents or approvals required in connection therewith, as to the value or freedom from any security interests of, or any other matter concerning, any assets of such party, or as to the absence of any defenses or right of setoff or freedom from counterclaim with respect to any claim or other asset, including any accounts receivable, of any party, or as to the legal sufficiency of any assignment, document or instrument delivered hereunder to convey title to any asset or thing of value upon the execution, delivery and filing hereof or thereof. Except as may expressly be set forth herein or in any Ancillary Agreement, all such CONVERGYS Assets are being transferred on an "as is, where is" basis (and, in the case of any real property, by means of a quitclaim or similar form deed or conveyance), and the respective transferees shall bear the

economic and legal risks that any conveyance shall prove to be insufficient to vest in the transferee good and marketable title, free and clear of any security interest.

ARTICLE 2
REPRESENTATIONS AND WARRANTIES OF CBI

2.1 POWER AND AUTHORITY; EFFECT OF AGREEMENT. CBI is a corporation duly organized, validly existing and in good standing under the laws of Ohio and has requisite corporate power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance by CBI of this Agreement and the consummation by it of

the transactions contemplated hereby have been duly authorized. All necessary corporate action on its part. This Agreement has been duly and validly executed and delivered by CBI and constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms, except to the extent that such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to creditors' rights generally. The execution, delivery and performance by CBI of this Agreement and the consummation by it of the transactions contemplated by the Separation does not, and will not, with or without the giving of notice or the lapse of time, or both: (i) violate any provision of law, rule or regulation to which it is subject; (ii) violate any order, judgment or decree applicable to it; (iii) conflict with, or result in a breach or default under, its Amended Articles of Incorporation or its Amended Regulations; or (iv) conflict with, or result in a breach or default under, any contract to which it is a party; except, in each case, for violations, conflicts, breaches or defaults which in the aggregate would not materially hinder or impair the consummation of the transactions contemplated hereby or have a material adverse effect on the Business.

2.2 STOCK OF TRANSFERRED SUBSIDIARIES. CBI is the owner, beneficially and of record, of all of the issued and outstanding shares of CBIS and MATRIX, free and clear of all liens, encumbrances, security agreements, options, claims, charges and restrictions.

2.3 GOVERNMENT CONSENTS. No consent, approval or authorization of, or exemption from, or filing with any governmental or regulatory authority is required in connection with the execution, delivery or performance by CBI of the terms of this Article 2 or the taking by it of any other action required to effectuate the Separation.

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ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF CONVERGYS

CONVERGYS represents and warrants to CBI as follows:

3.1 CONVERGYS' POWER AND AUTHORITY. CONVERGYS is a corporation duly organized, validly existing and in good standing under the laws of Ohio, and has all requisite corporate power and authority to carry on the Business as it is now being conducted and as proposed to be conducted.

3.2 DUE AUTHORIZATION, EXECUTION AND DELIVERY; EFFECT OF AGREEMENT. CONVERGYS has all requisite corporate power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance by CONVERGYS of this Agreement and the consummation by CONVERGYS of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of CONVERGYS. This Agreement has been duly and validly executed and delivered by CONVERGYS and constitutes the legal, valid and binding obligation of CONVERGYS enforceable against CONVERGYS in accordance with its terms, except to the extent that such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to creditors' rights generally. The execution, delivery and performance by CONVERGYS of this Agreement and the consummation by CONVERGYS of the transactions contemplated by the Separation does not, and will not, with or without the giving of notice of the lapse of time, or both: (i) violate any provision of law, rule or regulation to which CONVERGYS is subject; (ii) violate any order, judgment or decree applicable to CONVERGYS; (iii) conflict with, or result in a breach or default under, the

Amended Articles of Incorporation or Regulations of CONVERGYS; (iv) conflict with, or result in a breach or default under, any contract to which it is a party; except, in each case, for violations, conflicts, breaches or defaults which in the aggregate would not materially hinder or impair the consummation of the transactions contemplated hereby or have a material adverse effect on the Business.

3.3 CONSENTS. No consent, approval or authorization of, or exemption from, or filing with, any governmental or regulatory authority or any other third party is required in connection with the execution, delivery or performance by CONVERGYS of this Agreement or the taking

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by CONVERGYS of any other action required to effectuate the Separation, except as referred to in Article 8.

ARTICLE 4 COVENANTS OF CBI

4.1 BOOKS AND RECORDS; PERSONNEL. For a period of six years after the Distribution Date (or such longer period as may be required by any law or regulation, any governmental agency, any ongoing litigation or class of litigation, or in connection with any administrative proceeding):

(a) CBI shall not dispose of or destroy any of the business records and files of the Business retained by it or any of its subsidiaries (the "Retained Records"). If CBI wishes to dispose of or destroy such records and files after that time, it shall use reasonable efforts to first give 30 days' prior written notice to CONVERGYS and CONVERGYS shall have the right, at its option and expense, upon prior written notice to CBI within such 30 day period, to take possession of the Retained Records within 60 days after the date of CONVERGYS' notice to CBI.

(b) CBI shall allow CONVERGYS and its representatives reasonable access to all Retained Records during regular business hours and upon reasonable notice. CBI shall maintain the Retained Records in a manner and at locations that reasonably facilitates retrieval and review by CONVERGYS. CONVERGYS shall have the right, at its own expense, to make copies of any such records and files and CBI shall provide convenient duplication facilities for such purpose, provided, however, that any such access or copying shall be had or done in such manner so as not to unreasonably interfere with the normal conduct of CBI's business or operations.

(c) CBI shall make reasonably available to CONVERGYS, upon written request and at CONVERGYS' expense: (i) personnel to assist in locating and obtaining records and files maintained by it (including those created after the date hereof, to the extent necessary and appropriate in connection with pending and future claims against CONVERGYS relating to the Business) and (ii) any of its personnel whose assistance or participation (including as a witness during depositions or at trial) is reasonably required by CONVERGYS in anticipation of,

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or preparation for or during, existing or future litigation or other matters in

which CONVERGYS or any of its affiliates is involved and which is related to the Business.

ARTICLE 5
COVENANTS OF CONVERGYS

5.1 COOPERATION. CONVERGYS agrees to cooperate with CBI, both before and after the Distribution Date, to enable both parties to implement the Separation, including but not limited to performing the obligations undertaken by the parties hereunder. Such cooperation will include but not be limited to preparing and submitting required financial reports after the Distribution Date which may relate to periods whether before or after the Distribution Date and executing such documents and doing such other acts and things as may be necessary to carry out the intent of this Agreement as it relates to the Separation.

5.2 BOOKS AND RECORDS; PERSONNEL. For a period of six years after the Distribution Date (or such longer period as may be required by any law or regulation, any governmental agency, any ongoing litigation or class of litigation, or in connection with any administrative proceeding);

(a) CONVERGYS shall not dispose of or destroy any of the business records and files of the Business that are transferred to it or any of its subsidiaries in carrying out the transactions contemplated hereby (the "Transferred Records"). If CONVERGYS wishes to dispose of or destroy such records and files after that time, it shall use reasonable efforts to first give 30 days' prior written notice to CBI and CBI shall have the right at its option and expense, upon prior written notice to CONVERGYS within such 30 day period, to take possession of the Transferred Records within 60 days after the date of CBI's notice to CONVERGYS.

(b) CONVERGYS shall allow CBI and its representatives reasonable access to all Transferred Records during regular business hours and upon reasonable notice. CONVERGYS shall maintain the Transferred Records in a manner and at locations that reasonably facilitates retrieval and review by CBI. CBI shall have the right, at its own expense, to make copies of any such records and files and CONVERGYS shall provide convenient duplication facilities for such purposes provided, however, that any such access or copying shall

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be had or done in such a manner so as not to unreasonably interfere with the normal conduct of CONVERGYS' business or operations.

(c) CONVERGYS shall make reasonably available to CBI upon written request and at CBI's expense: (i) CONVERGYS' personnel to assist in locating and obtaining records and files maintained by it (including those created after the date hereof, to the extent necessary and appropriate in connection with pending and future claims against CBI relating to the Business), and (ii) any of its personnel whose assistance or participation (including as a witness during depositions or at trial) is reasonably required by CBI in anticipation of, or preparation for or during, existing or future litigation or other matters in which CBI or any of its affiliates is involved.

ARTICLE 6
INTER-COMPANY LENDING

6.1 CONTRIBUTION. [REDACTED] to inter-company debt payable to [REDACTED] by CONVERGYS, CONVERGYS' obligation will be to repay to CBI on or before the Distribution Date the amount reflected in its balance sheet dated March 31, 1998 (\$724.7 million) adjusted for the net cash flows resulting from CONVERGYS' operating and investing activities for the period April 1, 1998 to the date of repayment and for any other indebtedness incurred by CONVERGYS or for any other repayments made to CBI in that period. Upon the Closing Date, CONVERGYS shall apply all the net proceeds of the IPO to reduce CONVERGYS' portion of its inter-company debt.

6.2 ON-GOING FUNDING. For the period between the Closing Date through the day preceding the Distribution Date, CBI shall continue to provide CONVERGYS with working capital funding pursuant to the existing inter-company arrangements at an interest rate equal to CBI's average short-term borrowing cost or through external short- or long-term financing to be arranged by CBI; provided, however, that CONVERGYS may obtain and procure its own separate funding with such third parties as it deems in its sole discretion appropriate and at its own expense. CBI shall cooperate with CONVERGYS in its efforts to obtain such financing.

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ARTICLE 7

CONTINGENT GAINS AND CONTINGENT LIABILITIES

7.1 DEFINITIONS RELATING TO CONTINGENT GAINS AND CONTINGENT LIABILITIES. For the purpose of this Agreement, the following terms shall have the following meanings:

(a) AFFILIATE of any Person means a Person that controls, is controlled by, or is under common control with such Person. As used herein, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through ownership of voting securities or other interests, by contract or otherwise.

(b) ACTION means any demand, action, suit, countersuit, arbitration, inquiry, proceeding or investigation by or before any federal, state, local, foreign or international governmental authority or any arbitration or mediation tribunal.

(c) CBI GROUP means CBI and each Person (other than any member of the CONVERGYS Group) that is an Affiliate of CBI immediately after the Closing Date.

(d) CLOSING DATE means the first time at which any Common Shares of CONVERGYS are sold to the Underwriters pursuant to the IPO in accordance with the terms of the Underwriting Agreement.

(e) CONTINGENT CLAIM COMMITTEE means a committee composed of one representative designated from time to time by each of CBI and CONVERGYS that shall be established in accordance with Section 7.6.

(f) CONTINGENT GAIN means any claim or other right of CBI, CONVERGYS or any of their respective Affiliates, whenever arising, against any Person other than CBI, CONVERGYS or any of their respective Affiliates, if and

to the extent that (i) such claim or right has accrued as of the Closing Date (based on then existing law) and (ii) the existence or scope of the obligation of such other Person as of the Closing Date was not acknowledged, fixed or determined in any material respect, due to a dispute or other uncertainty as of the Closing Date or as a result of the failure of such claim or other right to have been discovered or asserted as of the Closing Date. A claim or right meeting the foregoing definition shall be considered a Contingent Gain regardless of whether there was any Action pending, threatened or contemplated as of the Closing Date with respect thereto. For purposes of the

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foregoing, a claim or right shall be deemed to have accrued as of the Closing Date if all the elements of the claim necessary for its assertion shall have occurred on or prior to the Closing Date, such that the claim or right, were it asserted in an Action on or prior to the Closing Date, would not be dismissed by a court on ripeness or similar grounds. Notwithstanding the foregoing, none of (i) any insurance proceeds, (ii) any reversal of any litigation or other reserve, or (iii) any matters relating to taxes (which are governed by the Tax Allocation Agreement) shall be deemed to be a Contingent Gain.

(g) CONTINGENT LIABILITY means any liability, other than liabilities for taxes (which are governed by the Tax Allocation Agreement), of CBI, CONVERGYS or any of their respective Affiliates, whenever arising, to any Person other than CBI, CONVERGYS or any of their respective Affiliates, if and to the extent that (i) such liability has accrued as of the Closing Date (based on then existing law) and (ii) the existence or scope of the obligation of CBI, CONVERGYS or any of their respective Affiliates as of the Closing Date with respect to such liability was not acknowledged, fixed or determined in any material respect, due to a dispute or other uncertainty as of the Closing Date or as a result of the failure of such liability to have been discovered or asserted as of the Closing Date (it being understood that the existence of a litigation or other reserve with respect to any liability shall not be sufficient for such liability to be considered acknowledged, fixed or determined). In the case of any liability a portion of which had accrued as of the Closing Date and a portion of which accrues after the Closing Date, only that portion that had accrued as of the Closing Date shall be considered a Contingent Liability. For purposes of the foregoing, a liability shall be deemed to have accrued as of the Closing Date if all the elements necessary for the assertion of a claim with respect to such liability shall have occurred on or prior to the Closing Date, such that the claim, were it asserted in an Action on or prior to the Closing Date, would not be dismissed by a court on ripeness or similar grounds. For purposes of clarification of the foregoing, the parties agree that no liability relating to, arising out of or resulting from any obligation of any Person to perform the executory portion of any contract or agreement existing as of the Closing Date, or to satisfy any obligation accrued under any Plan (as defined in the Employee Benefits Agreement) as of the Closing Date, shall be deemed to be a Contingent Liability.

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(h) CONVERGYS GROUP means CONVERGYS and each Person (other than any

member of the CBI Group) that is an Affiliate of CONVERGYS immediately after the Closing Date.

(i) EXCLUSIVE CBI CONTINGENT GAIN means any Contingent Gain if such Contingent Gain primarily relates to any business of any CBI Group Member or if such Contingent Gain is expressly assigned to CBI pursuant to this Agreement or any Ancillary Agreement.

(j) EXCLUSIVE CBI CONTINGENT LIABILITY means any Contingent Liability if such Contingent Liability primarily relates to any business of any CBI Group Member, or if such Contingent Liability is expressly assigned to CBI pursuant to this Agreement or any Ancillary Agreement.

(k) EXCLUSIVE CONTINGENT LIABILITY means any Exclusive CBI Contingent Liability or Exclusive CONVERGYS Contingent Liability.

(l) EXCLUSIVE CONVERGYS CONTINGENT GAIN means any Contingent Gain if such Contingent Gain primarily relates to any business of any CONVERGYS Group Member, or if such Contingent Gain is expressly assigned to CONVERGYS pursuant to this Agreement or any Ancillary Agreement.

(m) EXCLUSIVE CONVERGYS CONTINGENT LIABILITY means any Contingent Liability if such Contingent Liability primarily relates to any business of any CONVERGYS Group Member or such Contingent Liability is expressly assigned to CONVERGYS pursuant to this Agreement or any Ancillary Agreement.

(n) GROUP means any of the CBI Group or the CONVERGYS Group, as the context requires.

(o) PERSON means an individual, a general or limited partnership, a corporation, a trust, a joint venture, an unincorporated organization, a limited liability entity, any other entity or any governmental authority.

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(p) SHARED CONTINGENT GAIN means any Contingent Gain that is not an Exclusive CBI Contingent Gain or an Exclusive CONVERGYS Contingent Gain.

(q) SHARED CONTINGENT LIABILITY means, without duplication, any Contingent Liability that is not an Exclusive CBI Contingent Liability or an Exclusive CONVERGYS Contingent Liability.

(r) VALUE means the aggregate amount of all cash payments, the fair market value of all non-cash payments and the incremental cost of providing any goods or services made or provided in respect of any Exclusive Contingent Liability whether in satisfaction of any judgment, in settlement of any Action or threatened Action or otherwise (including all costs and expenses of defending or investigating any Action or threatened Action), net of: (i) any insurance proceeds received or realized in respect of the applicable Exclusive Contingent Liability, (ii) any tax benefits associated with such payments or the provision of such goods or services (based on an assumed effective tax rate equal to the effective tax rate of the applicable party for the fiscal year immediately preceding the year in which such payments are made or goods or services provided (it being understood that the effective tax rate of any party whose earnings for such immediately preceding fiscal year are consolidated for federal income tax purposes with another corporation shall be the effective tax rate of the corporation filing such federal income tax return for such immediately preceding fiscal year)), (iii) any other amounts recovered (including by way of set off) from a third party in connection with any such Action or threatened Action and (iv) the amount of any reserve, account payable or similar accrual in respect of

the Exclusive Contingent Liability, net of any offsetting receivables in respect of such Exclusive Contingent Liability, in each case as reflected on the CONVERGYS balance sheet or the audited consolidated balance sheet of CBI, including the notes thereto, as of December 31, 1997 (and without giving effect to any subsequent adjustment of any such reserve, account payable, accrual or offsetting receivable).

7.2 CONTINGENT GAINS.

(a) Each of CBI and CONVERGYS shall have sole and exclusive right to any benefit received with respect to any Exclusive CBI Contingent Gain or Exclusive CONVERGYS Contingent Gain, respectively. Each of CBI and CONVERGYS shall have sole and exclusive

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authority to commence, prosecute, settle, manage, control, conduct, waive, forego, release, discharge, forgive and otherwise determine all matters whatsoever with respect to any Exclusive CBI Contingent Gain or Exclusive CONVERGYS Contingent Gain, respectively.

(b) Any benefit that may be received from any Shared Contingent Gain shall be shared among CBI and CONVERGYS in proportion to CBI receiving 50% and CONVERGYS receiving 50%, respectively (the "Shared Percentage"), and shall be paid in accordance with Section 7.5. Notwithstanding the foregoing, CBI shall have sole and exclusive authority to commence, prosecute, settle, manage, control, conduct, waive, forego, release, discharge, forgive and otherwise determine all matters whatsoever with respect to any Shared Contingent Gain. CONVERGYS shall not take, or permit any member of its Group to take, any action (including commencing any claim) that would interfere with such rights and powers of CBI. CBI shall use its reasonable efforts to notify CONVERGYS in the event that it commences an Action with respect to a Shared Contingent Gain; provided that the failure to provide such notice shall not give rise to any rights on the part of CONVERGYS against CBI or affect any other provision of this Section 7.2. CONVERGYS acknowledges that CBI may elect not to pursue any Shared Contingent Gain for any reason whatsoever (including a different assessment of the merits of any Action, claim or right than CONVERGYS or any business reasons that are in the best interests of CBI or a member of the CBI Group, without regard to the best interests of any member of the CONVERGYS Group) and that no member of the CBI Group shall have any liability to any Person (including any member of the CONVERGYS Group) as a result of any such determination.

(c) In the event of any dispute as to whether any claim or right is a Contingent Gain or whether any Contingent Gain is a Shared Contingent Gain, an Exclusive CBI Contingent Gain or an Exclusive CONVERGYS Contingent Gain, CBI may, but shall not be obligated to, commence prosecution or other assertion of such claim or right pending resolution of such dispute. In the event that CBI commences any such prosecution or assertion and, upon resolution of the dispute, a party other than CBI is determined hereunder to have the exclusive right to such claim, CBI shall, promptly upon the request of such other party, discontinue the prosecution or assertion of such right or claim and transfer the control thereof to the party so determined to have the right thereto. In such event, the party having the right to such a claim or

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right will reimburse CBI for all costs and expenses reasonably incurred prior to resolution of such dispute in the prosecution or assertion of such claim or right.

7.3 EXCLUSIVE CONTINGENT LIABILITIES. Except as otherwise provided in this Section 7.3, each Exclusive Contingent Liability shall constitute a liability for which indemnification is provided by CBI or CONVERGYS, as the case may be, pursuant to Article 10 hereof and shall be subject to the procedures set forth in Article 10 with respect thereto.

7.4 SHARED CONTINGENT LIABILITIES.

(a) As set forth in Section 10.5(c), CBI shall assume the defense of, and may seek to settle or compromise, any Third Party Claim (as defined herein) that is a Shared Contingent Liability, and the costs and expenses thereof shall be included in the calculation of the amount of the applicable Shared Contingent Liability in determining the reimbursement obligations of the other parties with respect thereto pursuant to this Section 7.4.

(b) Each of CBI and CONVERGYS shall be responsible for its Shared Percentage of any Shared Contingent Liability. It shall not be a defense to any obligation by any party to pay any amount in respect of any Shared Contingent Liability that such party was not consulted in the defense thereof, that such party's views or opinions as to the conduct of such defense were not accepted or adopted, that such party does not approve of the quality or manner of the defense thereof or that such Shared Contingent Liability was incurred by reason of a settlement rather than by a judgment or other determination of liability (even if, subject to Section 10.5(g), such settlement was effected without the consent or over the objection of such party).

7.5 PAYMENTS.

(a) Any amount owed in respect of any Shared Contingent Liabilities (including reimbursement for the cost or expense of defense) of (i) any Third Party Claim that is a Shared Contingent Liability or (ii) any Shared Contingent Gain pursuant to this Article 6 shall be remitted promptly after the party entitled to such amount provides an invoice (including reasonable supporting information with respect thereto) to the party owing such amount.

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(b) In case of any Shared Contingent Liability, CBI shall be entitled to reimbursement from CONVERGYS in advance of a final determination of any Action for amounts paid in respect of costs and expenses related thereto, from time to time as such costs and expenses are incurred. In the case of any Shared Contingent Gain, CBI shall be entitled to retain from the amount of the Shared Contingent Gain otherwise payable to CONVERGYS, CONVERGYS' Shared Percentage of the costs and expenses paid or incurred by or on behalf of any member of the CBI Group in connection with such Shared Contingent Gain.

(c) Any amounts billed and properly payable in accordance with this Article 7 that are not paid within 30 days of such bill shall bear interest at the Prime Rate plus 2% per annum.

7.6 PROCEDURES TO DETERMINE STATUS OF CONTINGENT LIABILITY OR CONTINGENT GAIN.

(a) As of the Closing Date, CBI and CONVERGYS will form the Contingent Claim Committee for the purpose of resolving any disagreement among

the parties as to whether:

- (i) any claim or right is a Contingent Gain;
- (ii) any Contingent Gain is a Shared Contingent Gain, an Exclusive CBI Contingent Gain or an Exclusive CONVERGYS Contingent Gain;
- (iii) any liability is a Contingent Liability; or
- (iv) any Contingent Liability is a Shared Contingent Liability, an Exclusive CBI Contingent Liability, or an Exclusive CONVERGYS Contingent Liability.

(b) Any of the parties may refer any potential Contingent Gains or Contingent Liabilities to the Contingent Claim Committee for resolution of a disagreement described in Section 7.6(a) and the Contingent Claim Committee's determination (which shall be made within 30 days of such referral), if unanimous, shall be binding on all of the parties and their respective successors and assigns. In the event that the Contingent Claim Committee cannot reach a unanimous determination as to the nature or status of any such Contingent Liabilities or Contingent Gains within 30 days after such referral, the issue will be submitted for arbitration

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pursuant to the procedures set forth in Article 12 of this Agreement. The outcome of the arbitration pursuant to Article 12 shall be final and binding on all parties and their respective successors and assigns. The Contingent Claim Committee shall consist of one member of the CBI Group and one member of the CONVERGYS Group.

ARTICLE 8 THE IPO AND ACTIONS PENDING THE IPO

8.1 Transactions Prior to the IPO.

(a) Subject to the conditions specified in Section 8.2 hereof, CBI and CONVERGYS shall use their reasonable best efforts to consummate the IPO. Such actions shall include, but shall not necessarily be limited to, those specified in this Section 8.1.

(b) CONVERGYS shall file with the Securities and Exchange Commission (the "Commission") the IPO registration statement, and such amendments or supplements thereto, as may be necessary in order to cause the same to become and remain effective as required by law or by the Underwriters, including, but not limited to, filing such amendments to the IPO registration statement as may be required by the Underwriting Agreement, the Commission or federal, state or foreign securities laws. CBI and CONVERGYS shall also cooperate in preparing, filing with the Commission and causing to become effective a registration statement registering the Common Shares under the Exchange Act, and any registration statements or amendments thereof which are required to reflect the establishment of, or amendments to, any employee benefit and other plans necessary or appropriate in connection with the IPO, the Separation, the Distribution or the other transactions contemplated by this Agreement and the Ancillary Agreements.

(c) CONVERGYS, CBI, CBIS and MATRIXX shall enter into an Underwriting Agreement (the "Underwriting Agreement"), with underwriters selected jointly by CBI and CONVERGYS (the "Underwriters") in form and substance