

Employee may ask the arbitrator to grant additional discovery to the extent permitted by AAA rules upon a showing that such discovery is necessary.

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

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

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

(v) Except as provided in Section 10.A., neither party will commence or pursue any litigation on any claim that is or was subject to arbitration under this Agreement.

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

11. COVENANT NOT TO COMPETE. For purposes of this Section 11 only, the term "Employer" shall mean, collectively, Employer and each of its Affiliates. During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee will not engage in any business offering services related to the current business of Employer, whether as a principal, partner, joint venturer, agent, employee, salesman, consultant, director or officer, where such position would involve Employee (i) in any business activity in competition with Employer; (ii) in any position with any customer of Employer which involves such customer's billing and/or billing related systems or; or (iii) in any business that provides billing and/or billing related systems to third parties engaged in the communication business (including wireless, wireline and cable communication businesses). This restriction will be limited to the geographical area where Employer is then engaged in such competing business activity or to such other geographical area as a court shall find reasonably necessary to protect the goodwill and business of the Employer.

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

During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by

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

Employee will not, during or at any time within three years after the termination of

Employee's employment with Employer, induce or seek to induce, any other employee of Employer to terminate his or her employment relationship with Employer.

12. GOODWILL. Employee will not disparage Employer or any of its Affiliates in any way which could adversely affect the goodwill, reputation and business relationships of Employer or any of its Affiliates with the public generally, or with any of their customers, suppliers or employees. Employer will not disparage Employee.

13. TERMINATION.

A. (i) Employer or Employee may terminate this Agreement upon Employee's failure or inability to perform the services required hereunder because of any physical or mental infirmity for which Employee receives disability benefits under any disability benefit plans made available to Employee by Employer (the "Disability Plans"), over a period of one hundred twenty consecutive working days during any twelve consecutive month period (a "Terminating Disability").

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

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

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

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

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

D. Employer may terminate this Agreement immediately, upon written

notice to Employee, for any reason other than those set forth in Sections 13.A., B. and C.; provided,

however, that Employer shall have no right to terminate under this Section 13.D. within two years after a Change in Control. In the event of a termination by Employer under this Section 13.D., Employer shall, within five days after the termination, pay Employee an amount equal to the greater of (i) two times the sum of the annual Base Salary rate in effect at the time of termination plus the Bonus target in effect at the time of termination or (ii) if the Current Term is longer than two years, the sum of the Base Salary for the remainder of the Current Term (at the rate in effect at the time of termination) plus the Bonus targets (at the amount in effect at the time of termination) for each calendar year commencing or ending during the remainder of the Current Term (subject to proration in the case of any calendar year ending after the Current Term). For the remainder of the Current Term, Employer shall continue to provide Employee with medical, dental, vision and life insurance coverage comparable to the medical, dental, vision and life insurance coverage in effect for Employee immediately prior to the termination; and, to the extent that Employee would have been eligible for any post-retirement medical, dental, vision or life insurance benefits from Employer if Employee had continued in employment through the end of the Current Term, Employer shall provide such post-retirement benefits to Employee after the end of the Current Term. For purposes of any stock option or restricted stock grant outstanding immediately prior to the termination, Employee's employment with Employer shall not be deemed to have terminated until the end of the Current Term. In addition, Employee shall be entitled to receive, as soon as practicable after termination, an amount equal to the sum of (i) any forfeitable benefits under any qualified or nonqualified pension, profit sharing, 401(k) or deferred compensation plan of Employer or any Affiliate which would have vested prior to the end of the Current Term if Employee's employment had not terminated plus (ii) if Employee is participating in a qualified or nonqualified defined benefit plan of Employer or any Affiliate at the time of termination, an amount equal to the present value of the additional vested benefits which would have accrued for Employee under such plan if Employee's employment had not terminated prior to the end of the Current Term and if Employee's annual Base Salary and Bonus target had neither increased nor decreased after the termination. For purposes of this Section 13.D., "Current Term" means the longer of (i) the two year period beginning at the time of termination or (ii) the unexpired term of this Agreement at the time of the termination, determined as provided in Section 2 but assuming that there is no automatic extension of the Agreement term after the termination. For purposes of this Section 13.D. and Section 13.E., "Change in Control" means a change in control as defined in Employer's 1998 Long Term Incentive Plan.

E. This Agreement shall terminate automatically in the event that there is a Change in Control and either (i) Employee elects to resign within 90 days after the Change in Control or (ii) Employee's employment with Employer is actually or constructively terminated by Employer within two years after the Change in Control for any reason other than those set forth in Sections 13.A., B. and C. For purposes of the preceding sentence, a "constructive" termination of Employee's employment shall be deemed to have occurred if, without Employee's consent, there is a material reduction in Employee's authority or responsibilities or if there is a reduction in Employee's Base Salary or Bonus target from the amount in effect immediately prior to the Change in Control or if Employee is required by Employer to relocate from the city where Employee is residing immediately prior to the Change in Control. In the event of a termination under this Section 13.E., Employer shall pay Employee an amount equal to three times the sum

of the annual Base Salary in effect at the time of termination plus the Bonus target in effect at the time of termination, all stock options shall become immediately exercisable (and Employee shall be afforded the opportunity to exercise them), the restrictions applicable to all restricted stock shall lapse and any long term awards shall be paid out at target. For the remainder of the Current Term, Employer shall continue to provide Employee with medical, dental, vision and life insurance coverage comparable to the medical, dental, vision and life insurance coverage in effect for Employee immediately prior to the termination; and, to the extent that Employee would have been eligible for any post-retirement medical, dental, vision or life insurance benefits from Employer if Employee had continued in employment through the end of the Current Term, Employer shall provide such post-retirement benefits to Employee after the end of the Current Term. Employee's accrued benefit under any nonqualified pension or deferred compensation plan maintained by Employer or any Affiliate shall become immediately vested and nonforfeitable and Employee also shall be entitled to receive a payment equal to the sum of (i) any forfeitable benefits under any qualified pension or profit sharing or 401(k) plan maintained by Employer or any Affiliate plus (ii) if Employee is participating in a qualified or nonqualified defined benefit plan of Employer or any Affiliate at the time of termination, an amount equal to the present value of the additional benefits which would have accrued for Employee under such plan if Employee's employment had not terminated prior to the end of the Current Term and if Employee's annual Base Salary and Bonus target had neither increased nor decreased after the termination. Finally, to the extent that Employee is deemed to have received an excess parachute payment by reason of the Change in Control, Employer shall pay Employee an additional sum sufficient to pay (i) any taxes imposed under section 4999 of the Code plus (ii) any federal, state and local taxes applicable to any taxes imposed under section 4999 of the Code. For purposes of this Section 13.E., "Current Term" means the longer of (i) the three year period beginning at the time of termination or (ii) the unexpired term of this Agreement at the time of the termination, determined as provided in Section 2 but assuming that there is no automatic extension of the Agreement term after the termination.

F. Employee may resign upon 60 days' prior written notice to Employer. In the event of a resignation under this Section 13.F., this Agreement shall terminate and Employee shall be entitled to receive Employee's Base Salary through the date of termination, any Bonus earned but not paid at the time of termination and any other vested compensation or benefits called for under any compensation plan or program of Employer.

G. Employee may retire upon one year's prior written notice to Employer at any time after Employee has attained age 55 and completed at least ten years of service with Employer and its Affiliates. For purposes of the preceding sentence, service with Cincinnati Bell Inc. and its subsidiaries prior to the Effective Date shall be deemed to be service with Employer. In the event of a retirement under this Section 13.G., this Agreement shall terminate and Employee shall be entitled to receive Employee's Base Salary through the date of termination and any Bonus earned but not paid at the time of termination. In addition, Employee shall be entitled to receive any compensation or benefits made available to retirees under Employer's standard policies and programs, including retiree medical and life insurance benefits, a prorated Bonus for the year of termination, and the right to exercise options after retirement.

H. Upon termination of this Agreement as a result of an event of termination described in this Section 13 and except for Employer's payment of the required payments under this Section 13 (including any Base Salary accrued through the date of termination, any Bonus earned for the year preceding the year in which the termination occurs and any nonforfeitable amounts payable under any employee plan), all further compensation under this Agreement shall

terminate.

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

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

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

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

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

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

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

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

21. CONFIDENTIALITY OF AGREEMENT TERMS. The terms of this Agreement shall be held in strict confidence by Employee and shall not be disclosed by Employee to anyone other than Employee's spouse, Employee's legal counsel, and Employee's other advisors, unless required by law. Further, except as provided in the preceding sentence, Employee shall not reveal the

existence of this Agreement or discuss its terms with any person (including but not limited to any employee of Employer or its Affiliates) without the express authorization of the Board of Directors of Employer. To the extent that the terms of this Agreement have been disclosed by Employer, in a public filing or otherwise, the confidentiality requirements of this Section 21 shall no longer apply to such terms.

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

CONVERGYS CORPORATION

By: _____

EMPLOYEE

James F. Orr

Attachment B

EMPLOYEE BENEFITS

Automobile Allowance	Company-leased automobile
Cellular Telephone	Yes
Executive Deferred Compensation Plan	Yes
Group Accident Life	\$500,000
Legal/Financial/Insurance Allowance	\$10,000 per year
Parking	Yes
Annual Physical	Yes
Short Term Disability Supplement	Yes
Travel Insurance (Spouse)	\$50,000
Vacation	5 weeks per year

AMENDMENT TO EMPLOYMENT AGREEMENT

The Employment Agreement between Convergys Corporation ("Employer") and James F. Orr ("Employee"), made as of the date on which the initial public offering of Employer's common shares was closed, is hereby amended in the following respects:

1. Section 4.A. is hereby amended to read as follows:

A. Employee shall receive a base salary (the "Base Salary") of at least \$765,000 per year, payable not less frequently than monthly, for each year after 1998 during the term of this Agreement, subject to proration for any partial year. Such Base Salary, and all other amounts payable under this Agreement, shall be subject to withholding as required by law.

2. Section 4.B. is hereby amended to read as follows:

B. In addition to the Base Salary, Employee shall be entitled to receive an annual bonus (the "Bonus") for each calendar year for which services are performed under this Agreement. Any Bonus for a calendar year shall be payable after the conclusion of the calendar year in accordance with Employer's regular bonus payment policies. The Bonus target for the period from August 13, 1998 through December 31, 1998 shall be \$165,723 (\$429,000 on an annualized basis). Each year after 1998, Employee shall be given a minimum Bonus target, by Employer's Compensation Committee, of not less than \$324,000, subject to proration for a partial year.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed on December __, 1998.

CONVERGYS CORPORATION

By: _____

James F. Orr
EMPLOYMENT AGREEMENT

This Agreement is made as of the Effective Date between Cincinnati Bell Inc., an Ohio corporation ("Employer"), and Richard G. Ellenberger ("Employee"). For purposes of this Agreement, "Effective Date" means the first day after the date on which Employer distributes to its shareholders all of the common shares of Convergys Corporation owned by Employer after the initial public offering of Convergys Corporation common shares.

Employer and Employee agree as follows:

1. EMPLOYMENT. By this Agreement, Employer and Employee set forth the terms of Employer's employment of Employee on and after the Effective Date. Any prior agreements or understandings with respect to Employee's employment by Employer, including Employee's Employment Agreement with Cincinnati Bell Telephone Company dated June 9, 1997, are canceled as of the Effective Date. Notwithstanding the preceding sentence, all stock options and restricted stock awards granted to Employee prior to the Effective Date shall continue in effect in accordance with their respective terms and shall not be modified, amended or canceled by this Agreement.

2. TERM OF AGREEMENT. The term of this Agreement initially shall be the four year period commencing on the Effective Date. On the third anniversary of the Effective Date and on each subsequent anniversary of the Effective Date, the term of this Agreement automatically shall be extended for a period of one additional year. Notwithstanding the foregoing, the term of this Agreement is subject to termination as provided in Section 13.

3. DUTIES.

A. Effective the day after the retirement of the current President and Chief Executive Officer of Employer, John T. LaMacchia, Employee will serve as President and Chief Executive Officer of Employer or in such other equivalent capacity as may be designated by the Board of Directors of Employer. Employee will have the title of Chief Operating Officer beginning January 1, 1999 and continuing through the day of retirement of current President and Chief Executive Officer of Employer, John T. LaMacchia. Employee will report to the Board of Directors of Employer and will continue to serve as a member of the Board of Directors of Employer.

B. Employee shall furnish such managerial, executive, financial, technical, and other skills, advice, and assistance in operating Employer and its Affiliates as Employer may reasonably request. For purposes of this Agreement, "Affiliate" means each corporation which is a member of a controlled group of corporations (within the meaning of section 1563(a) of the Internal Revenue Code of 1986, as amended (the "Code")) which includes Employer.

C. Employee shall also perform such other duties, consistent with the provisions of Section 3.A., as are reasonably assigned to Employee by the Board of Directors of Employer.

D. Employee shall devote Employee's entire time, attention, and

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

4. COMPENSATION.

A. Employee shall receive a base salary (the "Base Salary") of at least \$550,000 per year, payable not less frequently than monthly, for each year during the term of this Agreement, subject to proration for any partial year. Such Base Salary, and all other amounts payable under this Agreement, shall be subject to withholding as required by law.

B. In addition to the Base Salary, Employee shall be entitled to receive an annual bonus (the "Bonus") for each calendar year for which services are performed under this Agreement. Any Bonus for a calendar year shall be payable after the conclusion of the calendar year in accordance with Employer's regular bonus payment policies. Each year, Employee shall be given a Bonus target, by Employer's Compensation Committee, of not less than \$360,000, subject to proration for a partial year.

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

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

6. BENEFITS.

A. While Employee remains in the employ of Employer, Employee shall be entitled to participate in all of the various employee benefit plans and programs, or equivalent plans and programs, which are made available to similarly situated officers of Employer, including the benefits set forth in Attachment B.

B. Notwithstanding anything contained herein to the contrary, the Base Salary and Bonuses otherwise payable to Employee shall be reduced by any benefits paid to Employee by Employer under any disability plans made available to Employee by Employer.

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C. As of the Effective Date, Employee shall be granted options to purchase 300,000 common shares of Employer under Employer's 1997 Long Term Incentive Plan. The options will become exercisable as to 75,000 options on the day preceding each of the first four anniversaries of the Effective Date. In each year of this Agreement after 1999, Employee will be granted stock options under Employer's 1997 Long Term Incentive Plan or any similar plan made available to employees of Employer.

D. As of the Effective Date, Employee shall receive a restricted stock award of 300,000 common shares of Employer. Such award shall be made under Employer's 1997 Long Term Incentive Plan on the terms set forth in Attachment A. The Restrictions shall lapse and be of no further force and effect on the day preceding the fourth anniversary of the Effective Date.

E. In each year of this Agreement after 1999, Employee will be given a

Long Term Incentive target for Employer's 1997 Long Term Incentive Plan. In no event will the value of Executive's long term incentives (stock options and performance shares) for any year, as determined by Employer's Compensation Committee, be less than \$750,000.

F. As long as Employee remains employed under this Agreement, Employee shall be entitled to participate in Employer's Pension Program.

G. Employer will immediately seek the consent of Convergys Corporation to accelerate the lapse of restrictions on the Convergys Corporation Restricted Shares, resulting from an award by Employer of 25,000 of its shares on June 9, 1997, effective on the date on which the Employer distributes to its shareholders all of the common shares of Convergys Corporation owned by Employer.

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

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Employer, its Affiliates. Employee agrees to retain the Information in absolute confidence and not to disclose the Information to any person or organization except as required in the performance of Employee's duties for Employer, without the express written consent of Employer; provided that Employee's obligation of confidentiality shall not extend to any Information which becomes generally available to the public other than as a result of disclosure by Employee.

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

9. SURRENDER OF MATERIAL UPON TERMINATION. Employee hereby agrees that upon cessation of Employee's employment, for whatever reason and whether

voluntary or involuntary, Employee will immediately surrender to Employer all of the property and other things of value in his possession or in the possession of any person or entity under Employee's control that are the property of Employer or any of its Affiliates, including without any limitation all personal notes, drawings, manuals, documents, photographs, or the like, including copies and derivatives thereof, relating directly or indirectly to any confidential information or materials or New Developments, or relating directly or indirectly to the business of Employer or any of its Affiliates.

10. REMEDIES.

A. Employer and Employee hereby acknowledge and agree that the services rendered by Employee to Employer, the information disclosed to Employee during and by virtue of Employee's employment, and Employee's commitments and obligations to Employer and its Affiliates herein are of a special, unique and extraordinary character, and that the breach of any provision of this Agreement by Employee will cause Employer irreparable injury and damage, and consequently the Employer shall be entitled to, in addition to all other remedies available to it, injunctive and equitable relief to prevent a breach of Sections 7, 8, 9, 11 and 12 of this Agreement and to secure the enforcement of this Agreement.

B. Except as provided in Section 10.A., the parties agree to submit to final and binding arbitration any dispute, claim or controversy, whether for breach of this Agreement or for violation of any of Employee's statutorily created or protected rights, arising between the parties that either party would have been otherwise entitled to file or

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pursue in court or before any administrative agency (herein "claim"), and waives all right to sue the other party.

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

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

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

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

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

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

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

(g) The remedy and relief that may be granted by the arbitrator to Employee are limited to lost wages, benefits, cease and desist and affirmative relief, compensatory, liquidated and punitive damages and reasonable attorney's fees, and will not include reinstatement or promotion. If the arbitrator would have awarded reinstatement or promotion, but for the prohibition in this Agreement, the arbitrator may award front pay. The arbitrator may assess to either party, or split, the arbitrator's fee and expenses and the cost of the transcript, if any, in accordance with the arbitrator's determination of the merits of each party's position, but each party will bear any cost for its witnesses and proof.

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

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

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

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

(v) Except as provided in Section 10.A., neither party will commence or pursue any litigation on any claim that is or was subject to arbitration under this Agreement.

(vi) All aspects of any arbitration procedure under this Agreement, including the hearing and the record of the proceedings, are confidential and will not be open to the public, except to the extent the parties agree

otherwise in writing, or as may be appropriate in any subsequent proceedings between the parties, or as may otherwise be appropriate in response to a governmental agency or legal process.

11. COVENANT NOT TO COMPETE. For purposes of this Section 11 only, the term "Employer" shall mean, collectively, Employer and each of its Affiliates. During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee will not engage in any business offering services related to the

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current business of Employer, whether as a principal, partner, joint venture, agent, employee, salesman, consultant, director or officer, where such position would involve Employee in any business activity in competition with Employer. This restriction will be limited to the geographical area where Employer is then engaged in such competing business activity or to such other geographical area as a court shall find reasonably necessary to protect the goodwill and business of the Employer.

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

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

Employee will not, during or at any time within three years after the termination of Employee's employment with Employer, induce or seek to induce, any other employee of Employer to terminate his or her employment relationship with Employer.

12. GOODWILL. Employee will not disparage Employer or any of its Affiliates in any way which could adversely affect the goodwill, reputation and business relationships of Employer or any of its Affiliates with the public generally, or with any of their customers, suppliers or employees. Employer will not disparage Employee.

13. TERMINATION.

A. (i) Employer or Employee may terminate this Agreement upon Employee's failure or inability to perform the services required hereunder because of any physical or mental infirmity for which Employee receives disability benefits under any disability benefit plans made available to Employee by Employer (the "Disability Plans"), over a period of one hundred twenty consecutive working days during any twelve consecutive month period (a "Terminating Disability").

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

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

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

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

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

D. Employer may terminate this Agreement immediately, upon written notice to Employee, for any reason other than those set forth in Sections 13.A., B. and C.; provided, however, that Employer shall have no right to terminate under this Section 13.D. within two years after a Change in Control. In the event of a termination by Employer under this Section 13.D., Employer shall, within five days after the termination, pay Employee an amount equal to the greater of (i) two times the sum of the annual Base Salary rate in effect at the time of termination plus the Bonus target in effect at the time of termination or (ii) if the Current Term is longer than two years, the sum of the Base Salary for the remainder of the Current Term (at the rate in effect at the time of termination) plus the Bonus targets (at the amount in effect at the time of termination) for each calendar year commencing or ending during the remainder of the Current Term (subject to proration in the case of any calendar year ending after the Current Term). For the remainder of the Current Term, Employer shall continue to provide Employee with medical, dental, vision and life insurance coverage comparable to the medical, dental, vision and life insurance coverage in effect for Employee immediately prior to the termination; and, to the extent that Employee would have been eligible for any post-retirement medical, dental, vision or life insurance benefits from Employer if Employee had continued in employment through the end of the Current Term, Employer shall provide such post-retirement benefits to Employee after the end of the Current Term. For purposes of any stock option or restricted stock grant outstanding immediately prior to

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the termination, Employee's employment with Employer shall not be deemed to have terminated until the end of the Current Term. In addition, Employee shall be entitled to receive, as soon as practicable after termination, an amount equal to the sum of (i) any forfeitable benefits under any qualified or nonqualified pension, profit sharing, 401(k) or deferred compensation plan of Employer or any Affiliate which would have vested prior to the end of the Current Term if Employee's employment had not terminated plus (ii) if Employee is participating in a qualified or nonqualified defined benefit plan of Employer or any Affiliate at the time of termination, an amount equal to the present value of the additional vested benefits which would have accrued for Employee under such plan if Employee's employment had not terminated prior to the end of the Current Term and if Employee's annual Base Salary and Bonus target had neither increased nor decreased after the termination. For purposes of this Section 13.D., "Current Term" means the longer of (i) the two year period beginning at the time of termination or (ii) the unexpired term of this Agreement at the time of the termination, determined as provided in Section 2 but assuming that there is no automatic extension of the Agreement term after the termination. For purposes of this Section 13.D. and Section 13.E., "Change in Control" means a change in control as defined in Employer's 1997 Long Term Incentive Plan.

E. This Agreement shall terminate automatically in the event that there is a Change in Control and either (i) Employee elects to resign within 90 days after the Change in Control or (ii) Employee's employment with Employer is actually or constructively terminated by Employer within two years after the Change in Control for any reason other than those set forth in Sections 13.A., B. and C. For purposes of the preceding sentence, a "constructive" termination of Employee's employment shall be deemed to have occurred if, without Employee's consent, there is a material reduction in Employee's authority or responsibilities or if there is a reduction in Employee's Base Salary or Bonus target from the amount in effect immediately prior to the Change in Control or if Employee is required by Employer to relocate from the city where Employee is residing immediately prior to the Change in Control. In the event of a termination under this Section 13.E., Employer shall pay Employee an amount equal to three times the sum of the annual Base Salary rate in effect at the time of termination plus the Bonus target in effect at the time of termination, all stock options shall become immediately exercisable (and Employee shall be afforded the opportunity to exercise them), the restrictions applicable to all restricted stock shall lapse and any long term awards shall be paid out at target. For the remainder of the Current Term, Employer shall continue to provide Employee with medical, dental, vision and life insurance coverage comparable to the medical, dental, vision and life insurance coverage in effect for Employee immediately prior to the termination; and, to the extent that Employee would have been eligible for any post-retirement medical, dental, vision or life insurance benefits from Employer if Employee had continued in employment through the end of the Current Term, Employer shall provide such post-retirement benefits to Employee after the end of the Current Term. Employee's accrued benefit under any nonqualified pension or deferred compensation plan maintained by Employer or any Affiliate shall become immediately vested and nonforfeitable and Employee also shall be entitled to receive a payment equal to the sum of (i) any forfeitable benefits under any qualified pension or profit sharing or 401(k) plan maintained by Employer or any Affiliate plus (ii) if

Employee is participating in a qualified or nonqualified defined benefit plan of Employer or any Affiliate at the time of termination, an amount equal to the present value of the additional benefits which would have accrued for Employee under such plan if Employee's employment had not terminated prior to

the end of the Current Term and if Employee's annual Base Salary and Bonus target had neither increased nor decreased after the termination. Finally, to the extent that Employee is deemed to have received an excess parachute payment by reason of the Change in Control, Employer shall pay Employee an additional sum sufficient to pay (i) any taxes imposed under section 4999 of the Code plus (ii) any federal, state and local taxes applicable to any taxes imposed under section 4999 of the Code. For purposes of this Section 13.E., "Current Term" means the longer of (i) the three year period beginning at the time of termination or (ii) the unexpired term of this Agreement at the time of the termination, determined as provided in Section 2 but assuming that there is no automatic extension of the Agreement term after the termination.

F. Employee may resign upon 60 days' prior written notice to Employer. In the event of a resignation under this Section 13.F., this Agreement shall terminate and Employee shall be entitled to receive Employee's Base Salary through the date of termination, any Bonus earned but not paid at the time of termination and any other vested compensation or benefits called for under any compensation plan or program of Employer.

G. Employee may retire (a) upon one year's prior written notice to Employer at any time after Employee has attained age 55 and completed at least ten years of service with Employer and its Affiliates or (b) on such earlier date as may be approved by the Board of Directors of Employer. In the event of a retirement under this Section 13.G., this Agreement shall terminate and Employee shall be entitled to receive Employee's Base Salary through the date of termination and any Bonus earned but not paid at the time of termination. In addition, Employee shall be entitled to receive any compensation or benefits made available to retirees under Employer's standard policies and programs, including retiree medical and life insurance benefits, a prorated Bonus for the year of termination, and the right to exercise options after retirement.

H. Upon termination of this Agreement as a result of an event of termination described in this Section 13 and except for Employer's payment of the required payments under this Section 13 (including any Base Salary accrued through the date of termination, any Bonus earned for the year preceding the year in which the termination occurs and any nonforfeitable amounts payable under any employee plan), all further compensation under this Agreement shall terminate.

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

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

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

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

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

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

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

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

21. CONFIDENTIALITY OF AGREEMENT TERMS. The terms of this Agreement shall be held in strict confidence by Employee and shall not be disclosed by Employee to anyone other than Employee's spouse, Employee's legal counsel, and Employee's other advisors, unless required by law. Further, except as provided in the preceding sentence, Employee shall not reveal the existence of this Agreement or discuss its terms with any person (including but not limited to any employee of Employer or its Affiliates) without the express authorization of the Board of Directors of Employer. To the extent that the terms of this Agreement have been disclosed by Employer, in a public filing or otherwise, the confidentiality requirements of this Section 21 shall no longer apply to such terms.

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

CINCINNATI BELL INC.

By: /s/ James D. Kiggen

James D. Kiggen - Chairman of the Board Date

By: /s/ John T. LaMacchia

John T. LaMacchia - President & CEO Date

EMPLOYEE

/s/ Richard G. Ellenberger

Richard G. Ellenberger Date

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Attachment B

EMPLOYEE BENEFITS

Automobile Allowance	Employer provided leased vehicle or \$850/mo
Cellular Telephone	Yes
Executive Deferred Compensation Plan	Yes
Group Accident Life	\$500,000
Legal/Financial/Insurance Allowance	\$10,000 per year
Parking	Yes
Business Club Memberships	Up to 3
Annual Physical	Yes
Short Term Disability Supplement	Yes
Travel Insurance (Spouse)	\$50,000
Vacation	5 weeks per year

EMPLOYMENT AGREEMENT

This Agreement is made as of the Effective Date between Convergys Corporation, an Ohio corporation ("Employer"), and William D. Baskett III ("Employee"). For purposes of this Agreement, "Effective Date" means the date on which the initial public offering of Employer's common shares is closed.

Employer and Employee agree as follows:

1. **EMPLOYMENT.** By this Agreement, Employer and Employee set forth the terms of Employer's employment of Employee on and after the Effective Date. Any prior agreements or understandings with respect to Employee's employment by Employer, including Employee's Employment Agreement with Cincinnati Bell Inc. dated January 1, 1998, are canceled as of the Effective Date.

2. **TERM OF AGREEMENT.** The term of this Agreement initially shall be the four year period commencing on the Effective Date. On the third anniversary of the Effective Date and on each subsequent anniversary of the Effective Date, the term of this Agreement automatically shall be extended for a period of one additional year. Notwithstanding the foregoing, the term of this Agreement is subject to termination as provided in Section 13.

3. **DUTIES.**

A. Employee will serve as Chief Legal Officer of Employer or in such other equivalent capacity as may be designated by the President of Employer. Employee will report to the President of Employer.

B. Employee shall furnish such managerial, executive, financial, technical, and other skills, advice, and assistance in operating Employer and its Affiliates as Employer may reasonably request. For purposes of this Agreement, "Affiliate" means each corporation which is a member of a controlled group of corporations (within the meaning of section 1563(a) of the Internal Revenue Code of 1986, as amended (the "Code")) which includes Employer.

C. Employee shall also perform such other duties as are reasonably assigned to Employee by the President of Employer.

D. Employee shall devote Employee's entire time, attention, and energies to the business of Employer and its Affiliates. The words "entire time, attention, and energies" are intended to mean that Employee shall devote Employee's full effort during reasonable working

hours to the business of Employer and its Affiliates and shall devote at least 40 hours per week to the business of Employer and its Affiliates. Employee shall travel to such places as are necessary in the performance of Employee's duties.

4. COMPENSATION.

A. Employee shall receive a base salary (the "Base Salary") of at least \$275,000 per year, payable not less frequently than monthly, for each year during the term of this Agreement, subject to proration for any partial year. Such Base Salary, and all other amounts payable under this Agreement, shall be subject to withholding as required by law.

B. In addition to the Base Salary, Employee shall be entitled to receive an annual bonus (the "Bonus") for each calendar year for which services are performed under this Agreement. Any Bonus for a calendar year shall be payable after the conclusion of the calendar year in accordance with Employer's regular bonus payment policies. Each year, Employee shall be given a Bonus target, by Employer's Compensation Committee, of not less than \$135,000, subject to proration for a partial year.

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

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

6. BENEFITS.

A. While Employee remains in the employ of Employer, Employee shall be entitled to participate in all of the various employee benefit plans and programs, or equivalent plans and programs, set forth in Attachment B.

B. Notwithstanding anything contained herein to the contrary, the Base Salary and Bonuses otherwise payable to Employee shall be reduced by any benefits paid to Employee by Employer under any disability plans made available to Employee by Employer.

C. As of the Effective Date, Employee shall be granted options to purchase 50,000 common shares of Employer under Employer's 1998 Long Term Incentive Plan. In each year of this Agreement after 1998, Employee will be granted stock options under Employer's 1998 Long Term Incentive Plan or any similar plan made available to employees of Employer.

D. As of the Effective Date, Employee shall receive a restricted stock award of 25,000 common shares of Employer. Such award shall be made under Employer's 1998 Long Term Incentive Plan on the terms set forth in Attachment A.

E. In each year of this Agreement after 1998, Employee will be given a long term

incentive target under Employer's 1998 Long Term Incentive Plan. In no event will the value of Executive's long term incentives (stock options and performance share targets) for any year, as determined by Employer's Compensation Committee, be less than \$250,000.

F. As long as Employee remains employed under this Agreement, Employee shall be entitled to participate in Employer's Pension Program.

7. CONFIDENTIALITY. Employee and its Affiliates are engaged in outsourced customer care industry within the U.S. and world wide. Employee acknowledges that in the course of employment with the Employer, Employee will be entrusted with or obtain access to information proprietary to the Employer and its Affiliates with respect to the following (all of which information is referred to hereinafter collectively as the "Information"); the organization and management of Employer and its Affiliates; the names, addresses, buying habits, and other special information regarding past, present and potential customers, employees and suppliers of Employer and its Affiliates; customer and supplier contracts and transactions or price lists of Employer, its Affiliates and their suppliers; products, services, programs and processes sold, licensed or developed by the Employer or its Affiliates; technical data, plans and specifications, present and/or future development projects of Employer and its Affiliates; financial and/or marketing data respecting the conduct of the present or future phases of business of Employer and its Affiliates; computer programs, systems and/or software; ideas, inventions, trademarks, business information, know-how, processes, improvements, designs, redesigns, discoveries and developments of Employer and its Affiliates; and other information considered confidential by any of the Employer, its Affiliates or customers or suppliers of Employer, its Affiliates. Employee agrees to retain the Information in absolute confidence and not to disclose the Information to any person or organization except as required in the performance of Employee's duties for Employer, without the express written consent of Employer; provided that Employee's obligation of confidentiality shall not extend to any Information which becomes generally available to the public other than as a result of disclosure by Employee.

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

9. SURRENDER OF MATERIAL UPON TERMINATION. Employee hereby agrees that upon cessation of Employee's employment, for whatever reason and whether voluntary or involuntary, Employee will immediately surrender to Employer all of the property and other things of value in his possession or in the possession of any person or entity under Employee's control that are the

property of Employer or any of its Affiliates, including without any limitation all personal notes, drawings, manuals, documents, photographs, or the like, including copies and derivatives thereof, relating directly or indirectly to any confidential information or materials or New Developments, or relating directly or indirectly to the business of Employer or any of its Affiliates.

10. REMEDIES.

A. Employer and Employee hereby acknowledge and agree that the services rendered by Employee to Employer, the information disclosed to Employee during and by virtue of Employee's employment, and Employee's commitments and obligations to Employer and its Affiliates herein are of a special, unique and extraordinary character, and that the breach of any provision of this Agreement by Employee will cause Employer irreparable injury and damage, and consequently

the Employer shall be entitled to, in addition to all other remedies available to it, injunctive and equitable relief to prevent a breach of Sections 7, 8, 9, 11 and 12 of this Agreement and to secure the enforcement of this Agreement.

B. Except as provided in Section 10.A., the parties agree to submit to final and binding arbitration any dispute, claim or controversy, whether for breach of this Agreement or for violation of any of Employee's statutorily created or protected rights, arising between the parties that either party would have been otherwise entitled to file or pursue in court or before any administrative agency (herein "claim"), and waives all right to sue the other party.

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

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

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

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

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

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

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

(g) The remedy and relief that may be granted by the arbitrator to Employee are limited to lost wages, benefits, cease and desist and affirmative relief, compensatory, liquidated and punitive damages and reasonable attorney's fees, and will not include reinstatement or promotion. If the arbitrator would have awarded reinstatement or promotion, but for the prohibition in this Agreement, the arbitrator may award front pay. The arbitrator may assess to either party, or split, the arbitrator's fee and expenses and the cost of the transcript, if any, in accordance with the arbitrator's determination of the merits of each party's position, but each party will bear any cost for its witnesses and proof.

(h) Employer and Employee recognize that a primary benefit each derives from arbitration is avoiding the delay and costs normally associated with litigation. Therefore, neither party will be entitled to conduct any discovery prior to the arbitration hearing except that: (i) Employer will furnish Employee with copies of all non-privileged documents in Employee's personnel file; (ii) if the claim is for discharge, Employee will furnish Employer with records of earnings and benefits relating

to Employee's subsequent employment (including self-employment) all documents relating to Employee's efforts to obtain subsequent employment; (iii) the parties will exchange copies of all documents they intend to introduce as evidence at the arbitration hearing at least 10 days prior to such hearing; (iv) Employee will be allowed (at Employee's expense) to take the depositions, for a period not to exceed four hours each, of two representatives of Employer, and Employer will be allowed (at its expense) to depose Employee for a period not to exceed four hours; and (v) Employer or Employee may ask the arbitrator to grant additional discovery to the extent permitted by AAA rules upon a showing that such discovery is necessary.

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

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

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

(v) Except as provided in Section 10.A., neither party will commence or pursue any litigation on any claim that is or was subject to arbitration under this Agreement.

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

11. COVENANT NOT TO COMPETE. For purposes of this Section 11 only, the term "Employer" shall mean, collectively, Employer and each of its Affiliates. During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee will not engage in any business offering services related to the current business of Employer, whether as a principal, partner, joint venturer, agent, employee, salesman, consultant, director or officer, where such position would involve Employee (i) in any business activity in competition with Employer; (ii) in any position with any customer of Employer which involves such customer's billing and/or billing related systems or; or (iii) in any business that provides billing and/or billing related systems to third parties engaged in the communication business (including wireless, wireline and cable communication businesses). This restriction will be limited to the geographical area where Employer is then engaged in such competing business activity or to such other geographical area as a court shall find reasonably necessary to protect the goodwill and business of the Employer.

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

supplier, consultant or employee of Employer and that Employee not divert or change, or attempt to divert or change, any such relationship to the detriment of Employer or to the benefit of any other person, firm, association, corporation or other entity.

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

Employee will not, during or at any time within three years after the termination of Employee's employment with Employer, induce or seek to induce, any other employee of Employer to terminate his or her employment relationship with Employer.

12. GOODWILL. Employee will not disparage Employer or any of its Affiliates in any way which could adversely affect the goodwill, reputation and business relationships of Employer or any of its Affiliates with the public generally, or with any of their customers, suppliers or employees. Employer will not disparage Employee.

13. TERMINATION.

A. (i) Employer or Employee may terminate this Agreement upon Employee's failure or inability to perform the services required hereunder because of any physical or mental infirmity for which Employee receives disability benefits under any disability benefit plans made available to Employee by Employer (the "Disability Plans"), over a period of one hundred twenty consecutive working days during any twelve consecutive month period (a "Terminating Disability").

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

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

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

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

C. Employer may terminate this Agreement immediately, upon written notice to Employee, for Cause. For purposes of this Agreement, Employer shall have "Cause" to terminate this Agreement only if Employer's Board of Directors

determines that there has been fraud, misappropriation or embezzlement on the part of Employee.

D. Employer may terminate this Agreement immediately, upon written notice to Employee, for any reason other than those set forth in Sections 13.A., B. and C.; provided, however, that Employer shall have no right to terminate under this Section 13.D. within two years after a Change in Control. In the event of a termination by Employer under this Section

13.D., Employer shall, within five days after the termination, pay Employee an amount equal to the greater of (i) two times the sum of the annual Base Salary rate in effect at the time of termination plus the Bonus target in effect at the time of termination or (ii) if the Current Term is longer than two years, the sum of the Base Salary for the remainder of the Current Term (at the rate in effect at the time of termination) plus the Bonus targets (at the amount in effect at the time of termination) for each calendar year commencing or ending during the remainder of the Current Term (subject to proration in the case of any calendar year ending after the Current Term). For the remainder of the Current Term, Employer shall continue to provide Employee with medical, dental, vision and life insurance coverage comparable to the medical, dental, vision and life insurance coverage in effect for Employee immediately prior to the termination; and, to the extent that Employee would have been eligible for any post-retirement medical, dental, vision or life insurance benefits from Employer if Employee had continued in employment through the end of the Current Term, Employer shall provide such post-retirement benefits to Employee after the end of the Current Term. For purposes of any stock option or restricted stock grant outstanding immediately prior to the termination, Employee's employment with Employer shall not be deemed to have terminated until the end of the Current Term. In addition, Employee shall be entitled to receive, as soon as practicable after termination, an amount equal to the sum of (i) any forfeitable benefits under any qualified or nonqualified pension, profit sharing, 401(k) or deferred compensation plan of Employer or any Affiliate which would have vested prior to the end of the Current Term if Employee's employment had not terminated plus (ii) if Employee is participating in a qualified or nonqualified defined benefit plan of Employer or any Affiliate at the time of termination, an amount equal to the present value of the additional vested benefits which would have accrued for Employee under such plan if Employee's employment had not terminated prior to the end of the Current Term and if Employee's annual Base Salary and Bonus target had neither increased nor decreased after the termination. For purposes of this Section 13.D., "Current Term" means the longer of (i) the two year period beginning at the time of termination or (ii) the unexpired term of this Agreement at the time of the termination, determined as provided in Section 2 but assuming that there is no automatic extension of the Agreement term after the termination. For purposes of this Section 13.D. and Section 13.E., "Change in Control" means a change in control as defined in Employer's 1998 Long Term Incentive Plan.

F. This Agreement shall terminate automatically in the event that there is a Change in Control and either (i) Employee elects to resign within 90 days after the Change in Control or (ii) Employee's employment with Employer is actually or constructively terminated by Employer within two years after the Change in Control for any reason other than those set forth in Sections 13.A., B. and C. For purposes of the preceding sentence, a "constructive" termination of Employee's employment shall be deemed to have occurred if, without Employee's consent, there is a material reduction in Employee's authority or responsibilities or if there is a reduction in Employee's Base Salary or Bonus target from the amount in effect immediately prior to the Change in Control or if Employee is required by Employer to relocate from the city where Employee is residing immediately prior to the Change in Control. In the event of a termination under this Section 13.E., Employer shall pay Employee an amount equal to three times the sum of the annual Base Salary rate in effect at the

time of termination plus the bonus target in effect at the time of termination, all stock options shall become immediately exercisable (and Employee

shall be afforded the opportunity to exercise them), the restrictions applicable to all restricted stock shall lapse and any long term awards shall be paid out at target. For the remainder of the Current Term, Employer shall continue to provide Employee with medical, dental, vision and life insurance coverage comparable to the medical, dental, vision and life insurance coverage in effect for Employee immediately prior to the termination; and, to the extent that Employee would have been eligible for any post-retirement medical, dental, vision or life insurance benefits from Employer if Employee had continued in employment through the end of the Current Term, Employer shall provide such post-retirement benefits to Employee after the end of the Current Term. Employee's accrued benefit under any nonqualified pension or deferred compensation plan maintained by Employer or any Affiliate shall become immediately vested and nonforfeitable and Employee also shall be entitled to receive a payment equal to the sum of (i) any forfeitable benefits under any qualified pension or profit sharing or 401(k) plan maintained by Employer or any Affiliate plus (ii) if Employee is participating in a qualified or nonqualified defined benefit plan of Employer or any Affiliate at the time of termination, an amount equal to the present value of the additional benefits which would have accrued for Employee under such plan if Employee's employment had not terminated prior to the end of the Current Term and if Employee's annual Base Salary and Bonus target had neither increased nor decreased after the termination. Finally, to the extent that Employee is deemed to have received an excess parachute payment by reason of the Change in Control, Employer shall pay Employee an additional sum sufficient to pay (i) any taxes imposed under section 4999 of the Code plus (ii) any federal, state and local taxes applicable to any taxes imposed under section 4999 of the Code. For purposes of this Section 13.E., "Current Term" means the longer of (i) the three year period beginning at the time of termination or (ii) the unexpired term of this Agreement at the time of the termination, determined as provided in Section 2 but assuming that there is no automatic extension of the Agreement term after the termination.

F. Employee may resign upon 60 days' prior written notice to Employer. In the event of a resignation under this Section 13.F., this Agreement shall terminate and Employee shall be entitled to receive Employee's Base Salary through the date of termination, any Bonus earned but not paid at the time of termination and any other vested compensation or benefits called for under any compensation plan or program of Employer.

G. Employee may retire upon six months' prior written notice to Employer at any time after Employee has attained age 55 and completed at least ten years of service with Employer and its Affiliates. For purposes of the preceding sentence, service with Cincinnati Bell Inc. and its subsidiaries prior to the Effective Date shall be deemed to be service with Employer. In the event of a retirement under this Section 13.G., this Agreement shall terminate and Employee shall be entitled to receive Employee's Base Salary through the date of termination and any Bonus earned but not paid at the time of termination. In addition, Employee shall be entitled to receive any compensation or benefits made available to retirees under Employer's standard policies and programs, including retiree medical and life insurance benefits, a prorated Bonus for the year of termination, and the right to exercise options after retirement.

H. Upon termination of this Agreement as a result of an event of termination described in this Section 13 and except for Employer's payment of the required payments under

this Section 13 (including any Base Salary accrued through the date of

termination, any Bonus earned for the year preceding the year in which the termination occurs and any nonforfeitable amounts payable under any employee plan), all further compensation under this Agreement shall terminate.

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

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

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

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

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

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

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

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

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

public filing or otherwise, the confidentiality requirements of this Section 21 shall no longer apply to such terms.

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

CONVERGYS CORPORATION

By: _____

EMPLOYEE

William D. Baskett III

Attachment B

EMPLOYEE BENEFITS

Automobile Allowance	\$850 per month
Cellular Telephone	Yes
Executive Deferred Compensation Plan	Yes
Group Accident Life	\$500,000
Legal/Financial/Insurance Allowance	\$7,500 per year
Parking	Yes
Annual Physical	Yes
Short Term Disability Supplement	Yes
Travel Insurance (Spouse)	\$50,000
Vacation	5 weeks per year

AMENDMENT TO EMPLOYMENT AGREEMENT

The Employment Agreement between Convergys Corporation ("Employer") and William D. Baskett III ("Employee"), made as of the date on which the initial public offering of Employer's common shares was closed, is hereby amended in the following respects:

2. Section 4.A. is hereby amended to read as follows:

A. Employee shall receive a base salary (the "Base Salary") of at least \$310,000 per year, payable not less frequently than monthly, for each year after 1998 during the term of this Agreement, subject to proration for any partial year. Such Base Salary, and all other amounts payable under this Agreement, shall be subject to withholding as required by law.

2. Section 4.B. is hereby amended to read as follows:

B. In addition to the Base Salary, Employee shall be entitled to receive an annual bonus (the "Bonus") for each calendar year for which services are performed under this Agreement. Any Bonus for a calendar year shall be payable after the conclusion of the calendar year in accordance with Employer's regular bonus payment policies. The Bonus target for the period from August 13, 1998 through December 31, 1998 shall be \$52,151 (\$135,000 on an annualized basis). Each year after 1998, Employee shall be given a minimum Bonus target, by Employer's Compensation Committee, of not less than \$100,000, subject to proration for a partial year.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed on December ___, 1998.

CONVERGYS CORPORATION

By: _____

William D. Baskett III
EMPLOYMENT AGREEMENT

This Agreement is made as of the Effective Date between Cincinnati Bell Inc., an Ohio corporation ("Employer"), and Kevin W. Mooney ("Employee"). For purposes of this Agreement, "Effective Date" means the date on which Employer distributes to its shareholders all of the common shares of Convergys Corporation owned by Employer after the initial public offering of Convergys Corporation common shares.

Employer and Employee agree as follows:

1. EMPLOYMENT. By this Agreement, Employer and Employee set forth the terms of Employer's employment of Employee on and after the Effective Date. Any prior agreements or understandings with respect to Employee's employment by Employer, including Employee's Employment Agreement with Cincinnati Bell Telephone Company dated December 9, 1997, as amended on January 14, 1998, are canceled as of the Effective Date. Notwithstanding the preceding sentence, all stock options and restricted stock awards granted to Employee prior to the Effective Date shall continue in effect in accordance with their respective terms and shall not be modified, amended or canceled by this Agreement.

2. TERM OF AGREEMENT. The term of this Agreement initially shall be the four year period commencing on the Effective Date. On the third anniversary of the Effective Date and on each subsequent anniversary of the Effective Date, the term of this Agreement automatically shall be extended for a period of one additional year. Notwithstanding the foregoing, the term of this Agreement is subject to termination as provided in Section 13.

3. DUTIES.

A. Employee will serve as Chief Financial Officer of Employer or in such other equivalent capacity as may be designated by the President of Employer. Employee will report to the President or Chief Operating Officer of Employer, as the President of Employer may direct.

B. Employee shall furnish such managerial, executive, financial, technical, and other skills, advice, and assistance in operating Employer and its Affiliates as Employer may reasonably request. For purposes of this Agreement, "Affiliate" means each corporation which is a member of a controlled group of corporations (within the meaning of section 1563(a) of the Internal Revenue Code of 1986, as amended (the "Code")) which includes Employer.

C. Employee shall also perform such other duties, consistent with the provisions of Section 3.A., as are reasonably assigned to Employee by the President of Employer.

D. Employee shall devote Employee's entire time, attention, and energies to the business of Employer and its Affiliates. The words "entire time, attention, and energies" are intended to mean that Employee shall devote

Employee's full effort during reasonable working hours to the business of Employer and its Affiliates and shall devote at least 40 hours per week to the business of Employer and its Affiliates. Employee shall travel to such places as are necessary in the performance of Employee's duties.

4. COMPENSATION.

A. Employee shall receive a base salary (the "Base Salary") of at least \$230,000 per year, payable not less frequently than monthly, for each year during the term of this Agreement, subject to proration for any partial year. Such Base Salary, and all other amounts payable under this Agreement, shall be subject to withholding as required by law.

B. In addition to the Base Salary, Employee shall be entitled to receive an annual bonus (the "Bonus") for each calendar year for which services are performed under this Agreement. Any Bonus for a calendar year shall be payable after the conclusion of the calendar year in accordance with Employer's regular bonus payment policies. Each year, Employee shall be given a Bonus target, by Employer's Compensation Committee, of not less than \$105,000, subject to proration for a partial year.

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

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

6. BENEFITS.

A. While Employee remains in the employ of Employer, Employee shall be entitled to participate in all of the various employee benefit plans and programs, or equivalent plans and programs, which are made available to similarly situated officers of Employer, including the benefits set forth in Attachment B.

B. Notwithstanding anything contained herein to the contrary, the Base Salary and Bonuses otherwise payable to Employee shall be reduced by any benefits paid to Employee by Employer under any disability plans made available to Employee by Employer.

C. As of the Effective Date, Employee shall be granted options to purchase 30,000 common shares of Employer under Employer's 1997 Long Term Incentive Plan. In each year of this Agreement after 1998, Employee will be granted stock options under

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Employer's 1997 Long Term Incentive Plan or any similar plan made available to employees of Employer.

D. As of the Effective Date, Employee shall receive a restricted stock award of 50,000 common shares of Employer. Such award shall be made under Employer's 1997 Long Term Incentive Plan on the terms set forth in Attachment A.

E. In each year of this Agreement after 1998, Employee will be given a Long Term Incentive target under Employer's 1997 Long Term Incentive Plan. In no event will the value of Executive's long term incentives (stock options and performance shares) for any year, as determined by Employer's Compensation Committee, be less than \$130,000.

F. As long as Employee remains employed under this Agreement, Employee shall be entitled to participate in Employer's Pension Program.

7. CONFIDENTIALITY. Employer and its Affiliates are engaged in the telecommunications industry within the U.S. Employee acknowledges that in the course of employment with the Employer, Employee will be entrusted with or obtain access to information proprietary to the Employer and its Affiliates with respect to the following (all of which information is referred to hereinafter collectively as the "Information"); the organization and management of Employer and its Affiliates; the names, addresses, buying habits, and other special information regarding past, present and potential customers, employees and suppliers of Employer and its Affiliates; customer and supplier contracts and transactions or price lists of Employer, its Affiliates and their suppliers; products, services, programs and processes sold, licensed or developed by the Employer or its Affiliates; technical data, plans and specifications, present and/or future development projects of Employer and its Affiliates; financial and/or marketing data respecting the conduct of the present or future phases of business of Employer and its Affiliates; computer programs, systems and/or software; ideas, inventions, trademarks, business information, know-how, processes, improvements, designs, redesigns, discoveries and developments of Employer and its Affiliates; and other information considered confidential by any of the Employer, its Affiliates or customers or suppliers of Employer, its Affiliates. Employee agrees to retain the Information in absolute confidence and not to disclose the Information to any person or organization except as required in the performance of Employee's duties for Employer, without the express written consent of Employer; provided that Employee's obligation of confidentiality shall not extend to any Information which becomes generally available to the public other than as a result of disclosure by Employee.

8. NEW DEVELOPMENTS. All ideas, inventions, discoveries, concepts, trademarks, or other developments or improvements, whether patentable or not, conceived by the Employee, alone or with others, at any time during the term of Employee's employment, whether or not during working hours or on Employer's premises, which are within the scope of or related to the business operations of Employer or its Affiliates ("New Developments"), shall be and remain the exclusive property of Employer. Employee

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shall do all things reasonably necessary to ensure ownership of such New Developments by Employer, including the execution of documents assigning and transferring to Employer, all of Employee's rights, title and interest in and to such New Developments, and the execution of all documents required to enable Employer to file and obtain patents, trademarks, and copyrights in the United States and foreign countries on any of such New Developments.

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

10. REMEDIES.

A. Employer and Employee hereby acknowledge and agree that the services rendered by Employee to Employer, the information disclosed to Employee during and by virtue of Employee's employment, and Employee's commitments and

obligations to Employer and its Affiliates herein are of a special and unique and extraordinary character, and that the breach of any provision of this Agreement by Employee will cause Employer irreparable injury and damage, and consequently the Employer shall be entitled to, in addition to all other remedies available to it, injunctive and equitable relief to prevent a breach of Sections 7, 8, 9, 11 and 12 of this Agreement and to secure the enforcement of this Agreement.

B. Except as provided in Section 10.A., the parties agree to submit to final and binding arbitration any dispute, claim or controversy, whether for breach of this Agreement or for violation of any of Employee's statutorily created or protected rights, arising between the parties that either party would have been otherwise entitled to file or pursue in court or before any administrative agency (herein "claim"), and waives all right to sue the other party.

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

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

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

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

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

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

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

(g) The remedy and relief that may be granted by the arbitrator to Employee are limited to lost wages, benefits, cease and desist and affirmative relief, compensatory, liquidated and punitive damages and reasonable attorney's fees, and will not include reinstatement or promotion. If the arbitrator would have awarded reinstatement or promotion, but for the prohibition in this Agreement, the arbitrator may award front pay. The arbitrator may assess to either party, or split, the arbitrator's fee and expenses and the cost of the transcript, if any, in accordance with the arbitrator's determination of the merits of each party's position, but each party will bear any cost for its witnesses and proof.

(h) Employer and Employee recognize that a primary benefit

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

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may ask the arbitrator to grant additional discovery to the extent permitted by AAA rules upon a showing that such discovery is necessary.

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

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

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

(v) Except as provided in Section 10.A., neither party will commence or pursue any litigation on any claim that is or was subject to arbitration under this Agreement.

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

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

During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then

for such period as shall be enforceable) Employee will not interfere with or adversely affect, either directly or indirectly, Employer's relationships with any person, firm, association, corporation or other entity which is known by Employee to be, or is included on any

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listing to which Employee had access during the course of employment as a customer, client, supplier, consultant or employee of Employer and that Employee will not divert or change, or attempt to divert or change, any such relationship to the detriment of Employer or to the benefit of any other person, firm, association, corporation or other entity.

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

Employee will not, during or at any time within three years after the termination of Employee's employment with Employer, induce or seek to induce, any other employee of Employer to terminate his or her employment relationship with Employer.

12. GOODWILL. Employee will not disparage Employer or any of its Affiliates in any way which could adversely affect the goodwill, reputation and business relationships of Employer or any of its Affiliates with the public generally, or with any of their customers, suppliers or employees. Employer will not disparage Employee.

13. TERMINATION.

A. (i) Employer or Employee may terminate this Agreement upon Employee's failure or inability to perform the services required hereunder because of any physical or mental infirmity for which Employee receives disability benefits under any disability benefit plans made available to Employee by Employer (the "Disability Plans"), over a period of one hundred twenty consecutive working days during any twelve consecutive month period (a "Terminating Disability").

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

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

(iv) If the parties elect not to terminate this Agreement upon an event of a Terminating Disability and Employee returns to active employment with Employer

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prior to such a termination or if such disability exists for less than one hundred twenty consecutive working days, the provisions of this Agreement shall remain in full force and effect.

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

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

D. Employer may terminate this Agreement immediately, upon written notice to Employee, for any reason other than those set forth in Sections 13.A., B. and C.; provided, however, that Employer shall have no right to terminate under this Section 13.D. within two years after a Change in Control. In the event of a termination by Employer under this Section 13.D., Employer shall, within five days after the termination, pay Employee an amount equal to the greater of (i) two times the sum of the annual Base Salary rate in effect at the time of termination plus the Bonus target in effect at the time of termination or (ii) if the Current Term is longer than two years, the sum of the Base Salary for the remainder of the Current Term (at the rate in effect at the time of termination) plus the Bonus targets (at the amount in effect at the time of termination) for each calendar year commencing or ending during the remainder of the Current Term (subject to proration in the case of any calendar year ending after the Current Term). For the remainder of the Current Term, Employer shall continue to provide Employee with medical, dental, vision and life insurance coverage comparable to the medical, dental, vision and life insurance coverage in effect for Employee immediately prior to the termination; and, to the extent that Employee would have been eligible for any post-retirement medical, dental, vision or life insurance benefits from Employer if Employee had continued in employment through the end of the Current Term, Employer shall provide such post-retirement benefits to Employee after the end of the Current Term. For purposes of any stock option or restricted stock grant outstanding immediately prior to the termination, Employee's employment with Employer shall not be deemed to have terminated until the end of the Current Term. In addition, Employee shall be entitled to receive, as soon as practicable after termination, an amount equal to the sum of (i) any forfeitable benefits under any qualified or nonqualified pension, profit sharing, 401(k) or deferred compensation plan of Employer or any Affiliate which would have vested prior to the end of the Current Term if Employee's employment had not terminated plus (ii) if Employee is participating in a qualified or nonqualified defined benefit plan of Employer or any Affiliate at the time of termination, an amount equal to the present value of the additional vested benefits which would have accrued for Employee under such plan if Employee's employment had not terminated prior to the end of the Current Term and if Employee's annual Base Salary and Bonus target had neither increased nor decreased after the termination. For purposes of this Section 13.D., "Current Term" means the

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longer of (i) the two year period beginning at the time of termination or (ii) the unexpired term of this Agreement at the time of the termination, determined as provided in Section 2 but assuming that there is no automatic extension of the Agreement term after the termination. For purposes of this Section 13.D. and Section 13.E., "Change in Control" means a change in control as defined in Employer's 1997 Long Term Incentive Plan.

E. This Agreement shall terminate automatically in the event that

there is a Change in Control and either (i) Employee elects to resign within 90 days after the Change in Control or (ii) Employee's employment with Employer is actually or constructively terminated by Employer within two years after the Change in Control for any reason other than those set forth in Sections 13.A., B. and C. For purposes of the preceding sentence, a "constructive" termination of Employee's employment shall be deemed to have occurred if, without Employee's consent, there is a material reduction in Employee's authority or responsibilities or if there is a reduction in Employee's Base Salary or Bonus target from the amount in effect immediately prior to the Change in Control or if Employee is required by Employer to relocate from the city where Employee is residing immediately prior to the Change in Control. In the event of a termination under this Section 13.E., Employer shall pay Employee an amount equal to three times the sum of the annual Base Salary rate in effect at the time of termination plus the Bonus target in effect at the time of termination, all stock options shall become immediately exercisable (and Employee shall be afforded the opportunity to exercise them), the restrictions applicable to all restricted stock shall lapse and any long term awards shall be paid out at target. For the remainder of the Current Term, Employer shall continue to provide Employee with medical, dental, vision and life insurance coverage comparable to the medical, dental, vision and life insurance coverage in effect for Employee immediately prior to the termination; and, to the extent that Employee would have been eligible for any post-retirement medical, dental, vision or life insurance benefits from Employer if Employee had continued in employment through the end of the Current Term, Employer shall provide such post-retirement benefits to Employee after the end of the Current Term. Employee's accrued benefit under any nonqualified pension or deferred compensation plan maintained by Employer or any Affiliate shall become immediately vested and nonforfeitable and Employee also shall be entitled to receive a payment equal to the sum of (i) any forfeitable benefits under any qualified pension or profit sharing or 401(k) plan maintained by Employer or any Affiliate plus (ii) if Employee is participating in a qualified or nonqualified defined benefit plan of Employer or any Affiliate at the time of termination, an amount equal to the present value of the additional benefits which would have accrued for Employee under such plan if Employee's employment had not terminated prior to the end of the Current Term and if Employee's annual Base Salary and Bonus target had neither increased nor decreased after the termination. Finally, to the extent that Employee is deemed to have received an excess parachute payment by reason of the Change in Control, Employer shall pay Employee an additional sum sufficient to pay (i) any taxes imposed under section 4999 of the Code plus (ii) any federal, state and local taxes applicable to any taxes imposed under section 4999 of the Code. For purposes of this Section 13.E., "Current Term" means the longer of (i) the three year period beginning at the time of termination or (ii) the unexpired term of this Agreement at the time of the termination, determined as provided

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in Section 2 but assuming that there is no automatic extension of the Agreement term after the termination.

F. Employee may resign upon 60 days' prior written notice to Employer. In the event of a resignation under this Section 13.F., this Agreement shall terminate and Employee shall be entitled to receive Employee's Base Salary through the date of termination, any Bonus earned but not paid at the time of termination and any other vested compensation or benefits called for under any compensation plan or program of Employer.

G. Employee may retire (a) upon six months' prior written notice to Employer at any time after Employee has attained age 55 and completed at least ten years of service with Employer and its Affiliates or (b) on such

earlier date as may be approved by the President of Employer. In the event of a retirement under this Section 13.G., this Agreement shall terminate and Employee shall be entitled to receive Employee's Base Salary through the date of termination and any bonus earned but not paid at the time of termination. In addition, Employee shall be entitled to receive any compensation or benefits made available to retirees under Employer's standard policies and programs, including retiree medical and life insurance benefits, a prorated Bonus for the year of termination, and the right to exercise options after retirement.

H. Upon termination of this Agreement as a result of an event of termination described in this Section 13 and except for Employer's payment of the required payments under this Section 13 (including any Base Salary accrued through the date of termination, any Bonus earned for the year preceding the year in which the termination occurs and any nonforfeitable amounts payable under any employee plan), all further compensation under this Agreement shall terminate.

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

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

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

16. WAIVER. No waiver or modification of this Agreement or the terms contained herein shall be valid unless in writing and duly executed by the party to be charged therewith. The waiver by any party hereto of a breach of any provision of this

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Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach by such party.

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

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

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

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

21. CONFIDENTIALITY OF AGREEMENT TERMS. The terms of this Agreement shall

be held in strict confidence by Employee and shall not be disclosed by Employee to anyone other than Employee's spouse, Employee's legal counsel, and Employee's other advisors, unless required by law. Further, except as provided in the preceding sentence, Employee shall not reveal the existence of this Agreement or discuss its terms with any person (including but not limited to any employee of Employer or its Affiliates) without the express authorization of the President of Employer. To the extent that the terms of this Agreement have been disclosed by Employer, in a public filing or otherwise, the confidentiality requirements of this Section 21 shall no longer apply to such terms.

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

CINCINNATI BELL INC.

By: _____

EMPLOYEE

/s/ Kevin W. Mooney

Kevin W. Mooney

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Attachment B

EMPLOYEE BENEFITS

Automobile Allowance	\$850 per month
Cellular Telephone	Yes
Executive Deferred Compensation Plan	Yes
Group Accident Life	\$500,000
Legal/Financial/Insurance Allowance	\$7,500 per year
Parking	Yes
Annual Physical	Yes
Short Term Disability Supplement	Yes
Travel Insurance (Spouse)	\$50,000
Vacation	5 weeks per year

EMPLOYMENT AGREEMENT

This Agreement is made as of the Effective Date between Cincinnati Bell Inc., an Ohio corporation ("Employer"), and Thomas E. Taylor ("Employee"). For purposes of this Agreement, "Effective Date" means the date on which Employer distributes to its shareholders all of the common shares of Convergys Corporation owned by Employer after the initial public offering of Convergys Corporation common shares.

Employer and Employee agree as follows:

1. EMPLOYMENT. By this Agreement, Employer and Employee set forth the terms of Employer's employment of Employee on and after the Effective Date. Any prior agreements or understandings with respect to Employee's employment by Employer, including Employee's Employment Agreement with Cincinnati Bell Telephone Company dated August 1, 1996, are canceled as of the Effective Date. Notwithstanding the preceding sentence, all stock options and restricted stock awards granted to Employee prior to the Effective Date shall continue in effect in accordance with their respective terms and shall not be modified, amended or canceled by this Agreement.

2. TERM OF AGREEMENT. The term of this Agreement initially shall be the four year period commencing on the Effective Date. On the third anniversary of the Effective Date and on each subsequent anniversary of the Effective Date, the term of this Agreement automatically shall be extended for a period of one additional year. Notwithstanding the foregoing, the term of this Agreement is subject to termination as provided in Section 13.

3. DUTIES.

A. Employee will serve as Secretary and General Counsel of Employer or in such other equivalent capacity as may be designated by the President of Employer. Employee will report to the President or Chief Operating Officer of Employer, as the President of Employer may direct.

B. Employee shall furnish such managerial, executive, financial, technical, and other skills, advice, and assistance in operating Employer and its Affiliates as Employer may reasonably request. For purposes of this Agreement, "Affiliate" means each corporation which is a member of a controlled group of corporations (within the meaning of section 1563(a) of the Internal Revenue Code of 1986, as amended (the "Code")) which includes Employer.

C. Employee shall also perform such other duties, consistent with the provisions of Section 3.A., as are reasonably assigned to Employee by the President of Employer.

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

4. COMPENSATION.

A. Employee shall receive a base salary (the "Base Salary") of at least \$205,000 per year, payable not less frequently than monthly, for each year during the term of this Agreement, subject to proration for any partial year. Such Base Salary, and all other amounts payable under this Agreement, shall be subject to withholding as required by law.

B. In addition to the Base Salary, Employee shall be entitled to receive an annual bonus (the "Bonus") for each calendar year for which services are performed under this Agreement. Any Bonus for a calendar year shall be payable after the conclusion of the calendar year in accordance with Employer's regular bonus payment policies. Each year, Employee shall be given a Bonus target, by Employer's Compensation Committee, of not less than \$85,000, subject to proration for a partial year.

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

increases.

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

6. BENEFITS.

A. While Employee remains in the employ of Employer, Employee shall be entitled to participate in all of the various employee benefit plans and programs, or equivalent plans and programs, which are made available to similarly situated officers of Employer, including the benefits set forth in Attachment B.

B. Notwithstanding anything contained herein to the contrary, the Base Salary and Bonuses otherwise payable to Employee shall be reduced by any benefits paid to Employee by Employer under any disability plans made available to Employee by Employer.

C. As of the Effective Date, Employee shall be granted options to purchase 30,000 common shares of Employer under Employer's 1997 Long Term Incentive Plan. In each year of this Agreement after 1998, Employee will be granted stock options under Employer's 1997 Long Term Incentive Plan or any similar plan made available to employees of Employer.

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D. As of the Effective Date, Employee shall receive a restricted stock award of 50,000 common shares of Employer. Such award shall be made under Employer's 1997 Long Term Incentive Plan on the terms set forth in Attachment A.

E. In each year of this Agreement after 1998, Employee will be given a Long Term Incentive target under Employer's 1997 Long Term Incentive Plan. In no event will the value of Executive's long term incentives (stock options and performance shares) for any year, as determined by Employer's Compensation Committee, be less than \$105,000.

F. As long as Employee remains employed under this Agreement, Employee shall be entitled to participate in Employer's Pension Program.

7. CONFIDENTIALITY. Employer and its Affiliates are engaged in the telecommunications industry within the U.S. Employee acknowledges that in the course of employment with the Employer, Employee will be entrusted with or obtain access to information proprietary to the Employer and its Affiliates with respect to the following (all of which information is referred to hereinafter collectively as the "Information"); the organization and management of Employer and its Affiliates; the names, addresses, buying habits, and other special information regarding past, present and potential customers, employees and suppliers of Employer and its Affiliates; customer and supplier contracts and transactions or price lists of Employer, its Affiliates and their suppliers; products, services, programs and processes sold, licensed or developed by the Employer or its Affiliates; technical data, plans and specifications, present and/or future development projects of Employer and its Affiliates; financial and/or marketing data respecting the conduct of the present or future phases of business of Employer and its Affiliates; computer programs, systems and/or software; ideas, inventions, trademarks, business information, know-how, processes, improvements, designs, redesigns, discoveries and developments of Employer and its Affiliates; and other information considered confidential by any of the Employer, its Affiliates or customers or suppliers of Employer, its Affiliates. Employee agrees to retain the Information in absolute confidence and not to disclose the Information to any person or organization except as

required in the performance of Employee's duties for Employer, without the express written consent of Employer; provided that Employee's obligation of confidentiality shall not extend to any Information which becomes generally available to the public other than as a result of disclosure by Employee.

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

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

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

10. REMEDIES.

A. Employer and Employee hereby acknowledge and agree that the services rendered by Employee to Employer, the information disclosed to Employer during and by virtue of Employee's employment, and Employee's commitments and obligations to Employer and its Affiliates herein are of a special, unique and extraordinary character, and that the breach of any provision of this Agreement by Employee will cause Employer irreparable injury and damage, and consequently the Employer shall be entitled to, in addition to all other remedies available to it, injunctive and equitable relief to prevent a breach of Sections 7, 8, 9, 11 and 12 of this Agreement and to secure the enforcement of this Agreement.

B. Except as provided in Section 10.A., the parties agree to submit to final and binding arbitration any dispute, claim or controversy, whether for breach of this Agreement or for violation of any of Employee's statutorily created or protected rights, arising between the parties that either party would have been otherwise entitled to file or pursue in court or before any administrative agency (herein "claim"), and waives all right to sue the other party.

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

(ii) (a) All of a party's claims must be presented at a single arbitration hearing. Any claim not raised at the arbitration hearing is waived

and released. The arbitration hearing will take place in Cincinnati, Ohio.

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

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

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

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

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

(g) The remedy and relief that may be granted by the arbitrator to Employee are limited to lost wages, benefits, cease and desist and affirmative relief, compensatory, liquidated and punitive damages and reasonable attorney's fees, and will not include reinstatement or promotion. If the arbitrator would have awarded reinstatement or promotion, but for the prohibition in this Agreement, the arbitrator may award front pay. The arbitrator may assess to either party, or split, the arbitrator's fee and expenses and the cost of the transcript, if any, in accordance with the arbitrator's determination of the merits of each party's position, but each party will bear any cost for its witnesses and proof.

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

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may ask the arbitrator to grant additional discovery to the extent permitted by AAA rules upon a showing that such discovery is necessary.

(i) Nothing herein will prevent either party from taking the

deposition of any witness be the sole purpose for taking the deposition is to use the deposition in lieu of the witness testifying at the hearing and the witness is, in good faith, unavailable to testify in person at the hearing due to poor health, residency and employment more than 50 miles from the hearing site, conflicting travel plans or other comparable reason.

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

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

(v) Except as provided in Section 10.A., neither party will commence or pursue any litigation on any claim that is or was subject to arbitration under this Agreement.

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

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

During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee will not interfere with or adversely affect, either directly or indirectly, Employer's relationships with any person, firm, association, corporation or other entity which is known by Employee to be, or is included on any

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listing to which Employee had access during the course of employment as a customer, client, supplier, consultant or employee of Employer and that Employee will not divert or change, or attempt to divert or change, any such relationship to the detriment of Employer or to the benefit of any other person, firm, association, corporation or other entity.

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

Employee will not, during or at any time within three years after the termination of Employee's employment with Employer, induce or seek to induce, any other employee of Employer to terminate his or her employment relationship with Employer.

12. GOODWILL. Employee will not disparage Employer or any of its Affiliates in any way which could adversely affect the goodwill, reputation and business relationships of Employer or any of its Affiliates with the public generally, or with any of their customers, suppliers or employees. Employer will not disparage Employee.

13. TERMINATION.

A. (i) Employer or Employee may terminate this Agreement upon Employee's failure or inability to perform the services required hereunder because of any physical or mental infirmity for which Employee receives disability benefits under any disability benefit plans made available to Employee by Employer (the "Disability Plans"), over a period of one hundred twenty consecutive working days during any twelve consecutive month period (a "Terminating Disability").

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

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

(iv) If the parties elect not to terminate this Agreement upon an event of a Terminating Disability and Employee returns to active employment with Employer

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prior to such a termination, or if such disability exists for less than one hundred twenty consecutive working days, the provisions of this Agreement shall remain in full force and effect.

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

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

D. Employer may terminate this Agreement immediately, upon written notice to Employee, for any reason other than those set forth in Sections 13.A., B. and C.; provided, however, that Employer shall have no right to terminate under this Section 13.D. within two years after a Change in Control. In the event of a termination by Employer under this Section 13.D., Employer shall, within five

days after the termination, pay Employee an amount equal to the greater of (i) two times the sum of the annual Base Salary rate in effect at the time of termination plus the Bonus target in effect at the time of termination or (ii) if the Current Term is longer than two years, the sum of the Base Salary for the remainder of the Current Term (at the rate in effect at the time of termination) plus the Bonus targets (at the amount in effect at the time of termination) for each calendar year commencing or ending during the remainder of the Current Term (subject to proration in the case of any calendar year ending after the Current Term). For the remainder of the Current Term, Employer shall continue to provide Employee with medical, dental, vision and life insurance coverage comparable to the medical, dental, vision and life insurance coverage in effect for Employee immediately prior to the termination; and, to the extent that Employee would have been eligible for any post-retirement medical, dental, vision or life insurance benefits from Employer if Employee had continued in employment through the end of the Current Term, Employer shall provide such post-retirement benefits to Employee after the end of the Current Term. For purposes of any stock option or restricted stock grant outstanding immediately prior to the termination, Employee's employment with Employer shall not be deemed to have terminated until the end of the Current Term. In addition, Employee shall be entitled to receive, as soon as practicable after termination, an amount equal to the sum of (i) any forfeitable benefits under any qualified or nonqualified pension, profit sharing, 401(k) or deferred compensation plan of Employer or any Affiliate which would have vested prior to the end of the Current Term if Employee's employment had not terminated plus (ii) if Employee is participating in a qualified or nonqualified defined benefit plan of Employer or any Affiliate at the time of termination, an amount equal to the present value of the additional vested benefits which would have accrued for Employee under such plan if Employee's employment had not terminated prior to the end of the Current Term and if Employee's annual Base Salary and Bonus target had neither increased nor decreased after the termination. For purposes of this Section 13.D., "Current Term" means the

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longer of (i) the two year period beginning at the time of termination or (ii) the unexpired term of this Agreement at the time of the termination, determined as provided in Section 2 but assuming that there is no automatic extension of the Agreement term after the termination. For purposes of this Section 13.D. and Section 13.E., "Change in Control" means a change in control as defined in Employer's 1997 Long Term Incentive Plan.

E. This Agreement shall terminate automatically in the event that there is a Change in Control and either (i) Employee elects to resign within 90 days after the Change in Control or (ii) Employee's employment with Employer is actually or constructively terminated by Employer within two years after the Change in Control for any reason other than those set forth in Sections 13.A., B. and C. For purposes of the preceding sentence, a "constructive" termination of Employee's employment shall be deemed to have occurred if, without Employee's consent, there is a material reduction in Employee's authority or responsibilities or if there is a reduction in Employee's Base Salary or Bonus target from the amount in effect immediately prior to the Change in Control or if Employee is required by Employer to relocate from the city where Employee is residing immediately prior to the Change in Control. In the event of a termination under this Section 13.E., Employer shall pay Employee an amount equal to three times the sum of the annual Base Salary rate in effect at the time of termination plus the Bonus target in effect at the time of termination, all stock options shall become immediately exercisable (and Employee shall be afforded the opportunity to exercise them), the restrictions applicable to all restricted stock shall lapse and any long term awards shall be paid out at target. For the remainder of the Current Term, Employer shall continue to provide Employee with medical, dental, vision and life insurance coverage comparable to the medical, dental, vision and life insurance coverage in effect

for Employee immediately prior to the termination; and, to the extent that Employee would have been eligible for any post-retirement medical, dental, vision or life insurance benefits from Employer if Employee had continued in employment through the end of the Current Term, Employer shall provide such post-retirement benefits to Employee after the end of the Current Term. Employee's accrued benefit under any nonqualified pension or deferred compensation plan maintained by Employer or any Affiliate shall become immediately vested and nonforfeitable and Employee also shall be entitled to receive a payment equal to the sum of (i) any forfeitable benefits under any qualified pension or profit sharing or 401(k) plan maintained by Employer or any Affiliate plus (ii) if Employee is participating in a qualified or nonqualified defined benefit plan of Employer or any Affiliate at the time of termination, an amount equal to the present value of the additional benefits which would have accrued for Employee under such plan if Employee's employment had not terminated prior to the end of the Current Term and if Employee's annual Base Salary and Bonus target had neither increased nor decreased after the termination. Finally, to the extent that Employee is deemed to have received an excess parachute payment by reason of the Change in Control, Employer shall pay Employee an additional sum sufficient to pay (i) any taxes imposed under section 4999 of the Code plus (ii) any federal, state and local taxes applicable to any taxes imposed under section 4999 of the Code. For purposes of this Section 13.E., "Current Term" means the longer of (i) the three year period beginning at the time of termination or (ii) the unexpired term of this Agreement at the time of the termination, determined as provided

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in Section 2 but assuming that there is no automatic extension of the Agreement term after the termination.

F. Employee may resign upon 60 days' prior written notice to Employer. In the event of a resignation under this Section 13.F., this Agreement shall terminate and Employee shall be entitled to receive Employee's Base Salary through the date of termination, any Bonus earned but not paid at the time of termination and any other vested compensation or benefits called for under any compensation plan or program of Employer.

G. Employee may retire (a) upon six months' prior written notice to Employer at any time after Employee has attained age 55 and completed at least ten years of service with Employer and its Affiliates or (b) on such earlier date as may be approved by the President of Employer. In the event of a retirement under this Section 13.G., this Agreement shall terminate and Employee shall be entitled to receive Employee's Base Salary through the date of termination and any Bonus earned but not paid at the time of termination. In addition, Employee shall be entitled to receive any compensation or benefits made available to retirees under Employer's standard policies and programs, including retiree medical and life insurance benefits, a prorated Bonus for the year of termination, and the right to exercise options after retirement.

H. Upon termination of this Agreement as a result of an event of termination described in this Section 13 and except for Employer's payment of the required payments under this Section 13 (including any Base Salary accrued through the date of termination, any Bonus earned for the year preceding the year in which the termination occurs and any nonforfeitable amounts payable under any employee plan), all further compensation under this Agreement shall terminate.

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

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

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

16. WAIVER. No waiver or modification of this Agreement or the terms contained herein shall be valid unless in writing and duly executed by the party to be charged therewith. The waiver by any party hereto of a breach of any provision of this

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Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach by such party.

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

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

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

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

21. CONFIDENTIALITY OF AGREEMENT TERMS. The terms of this Agreement shall be held in strict confidence by Employee and shall not be disclosed by Employee to anyone other than Employee's spouse, Employee's legal counsel, and Employee's other advisors, unless required by law. Further, except as provided in the preceding sentence, Employee shall not reveal the existence of this Agreement or discuss its terms with any person (including but not limited to any employee of Employer or its Affiliates) without the express authorization of the President of Employer. To the extent that the terms of this Agreement have been disclosed by Employer, in a public filing or otherwise, the confidentiality requirements of this Section 21 shall no longer apply to such terms.

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

CINCINNATI BELL INC.

By: _____

EMPLOYEE

/s/ Thomas E. Taylor

Thomas E. Taylor

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Attachment B

EMPLOYEE BENEFITS

Automobile Allowance	\$850 per month
Cellular Telephone	Yes
Executive Deferred Compensation Plan	Yes
Group Accident Life	\$500,000
Legal/Financial/Insurance Allowance	\$7,500 per year
Parking	Yes
Annual Physical	Yes
Short Term Disability Supplement	Yes
Travel Insurance (Spouse)	\$50,000
Vacation	5 weeks per year

CINCINNATI BELL INC.

EXECUTIVE DEFERRED COMPENSATION PLAN

(As amended and restated effective January 1, 1998)

SECTION 1

NAME AND PURPOSE OF PLAN

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

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

SECTION 2

GENERAL DEFINITIONS; GENDER AND NUMBER

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

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

2.1.2 "Beneficiary" means the person or entity designated by a Key Employee, on forms furnished and in the manner prescribed by the Committee, to receive any benefit payable under the Plan after the Key Employee's death. If a Key Employee fails to designate a beneficiary or if, for any reason, such designation is not effective, his "Beneficiary" shall be

his surviving spouse or, if none, his estate.

2.1.3 "CBI" means Cincinnati Bell Inc.

2.1.4 "CBI Shares" means common shares of CBI.

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

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

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

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

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

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

2.2 GENDER AND NUMBER. For purposes of the Plan, words used in any gender shall include all other genders, words used in the singular form shall include the plural form, and words used in the plural form shall include the singular form, as the context may require.

SECTION 3

DEFERRALS; COMPANY MATCH

3.1 ELECTION OF DEFERRALS.

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

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

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

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

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

3.3 SUSPENDING DEFERRALS.

3.3.1 Subject to such rules as the Committee may prescribe, a Key Employee who has elected to defer a portion of his Basic Salary may suspend such election, as of the first day of any payroll period, by completing and signing a form provided by the Committee and filing such form with the Committee prior to the first day of such payroll period. A Key Employee who has suspended his election for deferrals in accordance with this Section 3.3.1 may again elect to defer a portion of his Basic Salary, effective as of any January 1 following the six month period beginning on the effective date of the suspension, by completing and signing a new deferral form and filing such form with the Committee prior to such January 1 (or such earlier date as may be prescribed by the Committee).

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

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

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

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

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

SECTION 4

MAINTENANCE AND VALUATION OF ACCOUNTS

4.1 CASH DEFERRAL ACCOUNTS. There shall be established for each Key Employee who has elected to defer a portion of his Basic Salary or Cash Award under Section 3.1.1 or 3.1.2 a separate Account, called a Cash Deferral Account, which shall reflect the amounts deferred by the Key

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

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

4.3 RESTRICTED STOCK ACCOUNTS. There shall be established for each Key Employee who has elected to surrender all or a portion of a Restricted Stock Award under Section 3.1.4 a separate Account, called a Restricted Stock Account, which shall reflect the value of the CBI Shares surrendered by the Key Employee under Section 3.1.4 and the assumed investment thereof. Subject to such rules as the Committee may prescribe, an amount equal to the value of the CBI Shares surrendered by the Key Employee under Section 3.1.4 shall be

credited to the Key Employee's Restricted Stock Account as of the day on which the CBI Shares are surrendered to CBI. Amounts credited to the Key Employee's Restricted Stock Account shall be assumed to have been invested exclusively in CBI Shares until six months after the Applicable Lapse Date for the surrendered CBI Shares. Thereafter, such amounts shall be assumed to have been invested in the investments designated by the Key Employee on a form provided by and filed with the Committee. For purposes of the Plan, "Applicable Lapse Date" means, with respect to any Restricted Stock Award, the date on which the restrictions would have lapsed if the restricted CBI Shares had not been surrendered.

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

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

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

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

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

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

4.6.4 Effective on or about December 31, 1998, CBI will distribute to its shareholders one common share of Convergys Corporation ("Convergys Share") for each CBI Share owned by its shareholders on the record date for the distribution. Upon such distribution, the Accounts of

each Key Employee shall be credited with an assumed investment in the Convergys Share for each CBI Share then assumed to be credited to the Accounts. Thereafter, each Key Employee shall have the option of either retaining such assumed investment into in Convergys Shares or converting part or all of such assumed investment into an assumed investment in additional CBI Shares or any other assumed investment permitted under the Plan; provided, however, that any Convergys Shares credited to a Restricted Account shall be subject to the same restrictions (including restrictions on switching to alternate assumed investments) as apply to the CBI Shares credited to that Account to which the Convergys Shares Relate.

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SECTION 5

DISTRIBUTION

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

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

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

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

5.2.3. In its discretion, the Committee may condition the right to receive payments with respect to a portion of all of a Key Employee's Company Matching

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Account on the Key Employee completing a minimum period of service prior to the date on which he ceases to be an Employee. To the extent that a Key Employee has not satisfied any applicable service requirements prior to the date on which he ceases to be an Employee (other than by reason of his death), he shall not be entitled to receive any payment with respect to his Company Matching Account.

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

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

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

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

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constitute CBI's Board of Directors cease for any reason to constitute at least a majority thereof, unless the election of each director who was not a director at the beginning of such period has been approved in advance by directors representing at least two-thirds of the directors then in office who were directors at the beginning of the period. For purposes hereof, ownership of voting securities shall take into account and shall include ownership as determined by applying the provisions of Rule 13d-3(d) (1) (i) (as in effect on January 1, 1994) pursuant to the Exchange Act of 1934.

5.6 TRANSFER TO THE CONVERGYS CORPORATION EXECUTIVE DEFERRED COMPENSATION PLAN. Effective as of the date on which Convergys Corporation ceases to be a subsidiary of CBI, the accrued benefit of each Key Employee who thereupon ceases to be an Employee shall not be distributed or forfeited by reason of such termination of service as an Employee but shall be transferred to and assumed by the Convergys Corporation Executive Deferred Compensation Plan. From and after such transfer and assumption, neither CBI nor the Key Employee shall have any further rights or obligations under this Plan; provided, however, that to the extent that CBI has elected to purchase any assets to fund its obligations under this Plan for such Key Employees, such assets shall be transferred to Convergys Corporation.

SECTION 6

ADMINISTRATION OF THE PLAN

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

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

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

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

6.5 AGENTS AND EMPLOYEES. The Committee may authorize one or more agents to execute or deliver any instrument. The Committee may appoint or employ such agents, counsel (including counsel of any Company), auditors (including auditors of any

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Company), physicians, clerical help and actuaries as in the Committee's judgment may seem reasonable or necessary for the proper administration of the Plan.

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

SECTION 7

FUNDING OBLIGATION

No Company shall have any obligation to fund, either by the purchase of CBI Shares or the investment in any account or by any other means, its obligation to Key Employees hereunder. If, however, a Company does elect to

allocate assets to provide any such obligation, the assets allocated for such purpose shall be assets of the Company subject to claims against the Company, including claims of the Company's creditors, to the same extent as are other corporate assets, and the Key Employee shall have no right or claim against the assets so allocated, other than as general creditors of the Company.

SECTION 8

AMENDMENT AND TERMINATION

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

SECTION 9

NON-ALIENATION OF BENEFITS

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

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SECTION 10

MISCELLANEOUS

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

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

10.3 SEPARABILITY OF PROVISIONS. If any provision of the Plan is held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provisions had not been included.

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

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

IN WITNESS WHEREOF, Cincinnati Bell Inc. has caused its name to be subscribed on the ____ day of _____, 199__.

CINCINNATI BELL INC.

By _____

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CINCINNATI BELL INC.
1997 STOCK OPTION PLAN
FOR NON-EMPLOYEE DIRECTORS
(As revised and restated effective February 1, 1999)

1. PURPOSE.

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

2. SHARES SUBJECT TO THE PLAN.

There are reserved for issuance upon the exercise of options granted under the Plan 1,368,721 Common Shares \$1.00 par value, of the Company (the "Common Shares"). Such Common Shares may be authorized and unissued Common Shares or previously outstanding Common Shares then held in the Company's treasury. If any option granted under the Plan shall expire or terminate for any reason without having been exercised in full, the Common Shares subject thereto shall again be available for the purposes of issuance upon the exercise of options granted under the Plan.

3. ADMINISTRATION,

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

4. ELIGIBILITY.

For purposes of the Plan, "Outside Director" means a member of the Board who is not an employee of the Company or a subsidiary of the Company. Each individual who first becomes an Outside Director on or after the effective date of the Plan shall automatically be granted an option to purchase 25,000 Common Shares on the first day of such individual's first term of office as an Outside Director. On the date of each annual meeting of the shareholders of the Company subsequent to the effective date of the Plan, each Outside Director who first became an Outside Director prior to such annual meeting and who will continue to serve as an Outside Director after such annual meeting shall automatically be granted an option to purchase 9,000 Common Shares.

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

5. OPTION GRANTS.

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

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

Upon exercise, the option price is to be paid in full in cash or, at the discretion of the Board, in Common Shares owned by the optionee having a Fair Market Value on the date of exercise equal to the aggregate option price or, at the discretion of the Board, in a combination of cash and Common Shares. Upon exercise of an option, the Company shall have the right to retain or sell without notice sufficient Common Shares to cover government withholding taxes or deductions, if any, as described in Paragraph 9.

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

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

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

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

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option. In the event the option is not exercised during the one-year period after the optionee's death, it shall expire at the end of such one-year period.

In the event that an optionee dies following Retirement, the option theretofore granted to the optionee may be exercised by the legatee or legatees of the optionee under the optionee's last will, or by the optionee's

personal representatives or distributees, at any time during the remaining term of the option.

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

6. TRANSFERABILITY AND SHAREHOLDER RIGHTS OF HOLDERS OF OPTIONS.

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

7. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION.

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

8. AMENDMENT AND TERMINATION.

Unless the Plan shall theretofore have been terminated as hereinafter provided, the Plan shall terminate on, and no awards of options shall be made after, the tenth anniversary of the effective date of the Plan; provided, however, that such termination shall have no effect on options granted prior thereto. The Plan may be terminated, modified or amended by the shareholders of the Company. The Board may also terminate the Plan or modify or amend the Plan in such respects as it shall deem advisable in order to conform to any change in any law or regulation applicable thereto, or in other respects which shall not change (i) the total number of shares as to which options may be granted, (ii) the class of persons eligible to receive options under the Plan, (iii) the manner of determining the option prices, (iv) the period during which

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options may be granted or exercised or (v) the provisions relating to the administration of the Plan by the Board.

9. WITHHOLDING.

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

however, that the optionee will have the right to provide the Company with the funds to enable it to pay such tax.

10. EFFECTIVENESS OF THE PLAN.

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

11. PREDECESSOR PLAN.

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

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Exhibit 12
to
Form 10-K for 1998

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

	1998	1997	1996	1995	1994
	----	----	----	----	----
Earnings					
(a) Income (loss) from continuing operations before income taxes, extraordinary charges and cumulative effect of change in accounting principle	\$ 126.1	\$ 158.6	\$ 153.2	\$ (45.1)	\$ 67.4
(c) Interest expense	24.2	30.1	27.9	45.4	40.1
(d) One-third of rental expense	3.9	3.9	3.0	4.0	4.2
Total Earnings (1)	\$ 154.2	\$ 192.6	\$ 184.1	\$ 4.3	\$ 111.7
Fixed Charges					
(a) Interest expense	\$ 24.2	\$ 30.1	\$ 27.9	\$ 45.4	\$ 40.1
(b) One-third of rental expense	3.9	3.9	3.0	4.0	4.2
Total Fixed Charges	\$ 28.1	\$ 34.0	\$ 30.9	\$ 49.4	\$ 44.3
Ratio of earnings to combined fixed charges	5.49	5.66	5.96	-	2.52
Coverage deficiency	-	-	-	\$ 45.1	-

(1) Results for 1995 decreased by \$131.6 million for a charge associated with business restructuring. Results for 1996 and 1997 include credits in the amount of \$27.4 million and \$21.0 million, respectively, for pension settlement gains recognized as part of the business restructuring. Results in 1998 reflect the dilutive effect of the Company's new wireless venture which resulted in a \$27.3 million loss in 1998.

SELECTED FINANCIAL AND OPERATING DATA

Cincinnati Bell Inc.

Millions of dollars except per share amounts	1998	1997	1996	1995	1994
RESULTS OF OPERATIONS					
Revenues	\$ 885.1	\$ 834.5	\$ 779.8	\$ 736.0	\$ 704.3
Costs and expenses excluding special charges (credits)	706.2	664.1	628.9	595.0	587.8
Operating income excluding special charges (credits)	178.9	170.4	150.9	141.0	116.5
Special charges (credits) (a)	(1.1)	(21.0)	(29.7)	131.6	7.7
Operating income	180.0	191.4	180.6	9.4	108.8
Wireless venture loss	27.3	--	--	--	--
Other (income) expense, net	2.4	2.7	(.5)	9.1	1.3
Interest expense	24.2	30.1	27.9	45.4	40.1
Income (loss) before income taxes, extraordinary items and cumulative effect of change in accounting principle	126.1	158.6	153.2	(45.1)	67.4
Income taxes	44.3	56.3	53.7	(16.0)	24.4
Income (loss) from continuing operations	81.8	102.3	99.5	(29.1)	43.0
Income from discontinued operations, net of taxes (b)	69.1	91.3	85.5	3.8	32.0
Income (loss) before extraordinary items	150.9	193.6	185.0	(25.3)	75.0
Extraordinary items and cumulative effect of change in accounting principle (c)	(1.0)	(210.0)	--	(7.0)	(2.4)
Net income (loss)	\$ 149.9	\$ (16.4)	\$ 185.0	\$ (32.3)	\$ 72.6
Basic earnings (loss) per common share:					
Income (loss) from continuing operations	\$.60	\$.76	\$.74	\$ (.22)	\$.33
Income from discontinued operations, net of taxes	.51	.67	.64	.03	.25
Extraordinary items, net of taxes	(.01)	(1.55)	--	(.05)	(.02)
Income (loss)	\$ 1.10	\$ (.12)	\$ 1.38	\$ (.24)	\$.56
Diluted earnings (loss) per common share:					
Income (loss) from continuing operations	\$.59	\$.74	\$.73	\$ (.22)	\$.33
Income from discontinued operations, net of taxes	.50	.67	.62	.03	.24
Extraordinary items, net of taxes	(.01)	(1.53)	--	(.05)	(.02)
Income (loss)	\$ 1.08	\$ (.12)	\$ 1.35	\$ (.24)	\$.55
Dividends declared per common share	\$.40	\$.40	\$.40	\$.40	\$.40
Weighted average common shares (millions)					
Basic	136.0	135.2	133.9	132.0	130.7
Diluted	138.2	137.7	137.2	133.5	130.9
FINANCIAL POSITION					
Total assets (b) (c)	\$1,041.0	\$1,275.1	\$1,415.9	\$1,363.8	\$1,474.8
Long-term debt	\$ 366.8	\$ 268.0	\$ 271.2	\$ 370.0	\$ 523.7
Total debt	\$ 553.0	\$ 399.5	\$ 409.0	\$ 423.7	\$ 514.9
Common shareholders' equity (b) (c)	\$ 142.1	\$ 579.7	\$ 634.4	\$ 478.1	\$ 552.4
OTHER DATA					
Telephone plant construction	\$ 136.3	\$ 141.1	\$ 101.4	\$ 90.3	\$ 112.8
Network access lines (000)	1,033	1,005	958	906	877
Access minutes of use (millions)					
Interstate	3,151	2,945	2,744	2,536	2,336
Intrastate	1,112	1,055	963	956	932
Employees	3,500	3,300	3,100	3,100	3,700
Market price per share (d)					
High	\$ 38.625	\$ 33.750	\$ 30.813	\$ 17.625	\$ 10.063
Low	\$ 20.875	\$ 23.063	\$ 15.875	\$ 8.438	\$ 7.688
Close	\$ 37.813	\$ 31.000	\$ 30.813	\$ 17.375	\$ 8.500

(a) See Note 12 of Notes to Financial Statements.

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

- (c) See Note 4 of Notes to Financial Statements.
- (d) Prices are before spin-off of Convergys. Cincinnati Bell Inc. stock began trading on a post-spin-off basis on January 4, 1999.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cincinnati Bell Inc.

Cincinnati Bell Inc. (the Company) is a full-service telecommunications company that conducts its operations through the following reportable segments:

LOCAL COMMUNICATIONS SERVICES -- The Company provides local, long distance, data networking and transport, Internet and payphone services, as well as sales of communications equipment, in southwestern Ohio, northern Kentucky and southeastern Indiana. Services are marketed and sold to both residential and business customers and are delivered via the Company's Cincinnati Bell Telephone (CBT) subsidiary.

DIRECTORY SERVICES -- The Company sells directory advertising and information services, primarily to business customers in the aforementioned area. This segment's identifiable product is the yellow pages directory delivered via the Company's Cincinnati Bell Directory (CBD) subsidiary.

OTHER COMMUNICATIONS SERVICES -- The Company (i) resells long distance and Internet access services and provides data services and products to small- and medium-sized business customers in a five-state Midwestern area and (ii) resells telecommunications and computer equipment in the secondary market. These services are provided through the Company's Cincinnati Bell Long Distance (CBLD) and Cincinnati Bell Supply (CBS) subsidiaries, respectively.

On December 31, 1998, the Company acquired an 80% interest from AT&T Wireless PCS, Inc. (AT&T PCS) in a venture offering personal communications services (PCS) in the Greater Cincinnati and Dayton markets. The Company anticipates that this new digital wireless communications business, Cincinnati Bell Wireless, will be reported as an operating segment in 1999.

The Company recently formed two new subsidiaries. ZoomTown.com Inc., formed in the first quarter of 1999, provides FUSE Internet access, e-commerce and transactional services. EnterpriseWise IT Consulting LLC (formerly KSM Consulting and the Network Solutions Group) was formed in the third quarter of 1998 and provides network integration and consulting services. Operating results from these services have been included in the Local Communications Services segment.

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

CONSOLIDATED OVERVIEW

The Company is a full-service provider of local, long distance, wireless, data, Internet, payphone, directory services and related communications equipment to customers in the Midwest.

The Company'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, Cisco Systems and PSINet. By leveraging its competitive strengths, the Company believes that it can capture the full benefit of its strategic relationships with these targeted industry leaders to provide world-class service.

In May 1998, the Company formed a new subsidiary, Convergys Corporation (Convergys), to hold the Company's information management and customer management businesses (formerly CBIS and MATRIXX Marketing, respectively) and the Company's interest in a cellular partnership.

In November, the Company's Board of Directors authorized the Company to complete the divestiture of Convergys. On December 31, 1998, the Company distributed one share of Convergys stock for each share of Company stock owned by those Company shareholders of record on December 1, 1998. Subsequent to the divestiture on December 31, 1998, the Company has no ownership interest in Convergys.

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RESULTS OF OPERATIONS

1998 COMPARED TO 1997

Revenues were \$885.1 million, up 6% from \$834.5 million in 1997, primarily as a result of increased activities in Local Communications Services. Costs and expenses, excluding special credits, were \$706.2 million, up 6% from \$664.1 million. Operating margins, excluding special credits in both years, were comparable.

Income from continuing operations was \$81.8 million, or \$.59 per share in 1998 compared with \$102.3 million, or \$.74 per share in 1997. In 1998, the Company recognized \$1.1 million in special credits resulting from the 1995 business restructuring, compared with \$21.0 million in 1997 (see Note 12 of Notes to Financial Statements). The Company also recorded a \$27.3 million loss on its new wireless venture in 1998, while no such loss was recorded in 1997. Excluding special credits and the wireless dilution, income from continuing operations on a per share basis was \$.72 in 1998 compared with \$.64 in 1997.

Extraordinary items affected both years. In 1998, retirement of long-term debt and a portion of a credit facility resulted in an extraordinary charge of \$1.0 million, net of taxes. In 1997, the discontinuation of Statement of Financial Accounting Standard (SFAS) 71, "Accounting for the Effects of Certain Types of Regulation," at CBT resulted in a non-cash charge of \$210.0 million after-tax.

Costs to reprogram information systems for the Year 2000 and to implement regulator-mandated interconnection and local number portability also affected operating results. These costs were \$21.5 million in 1998 compared with \$10.5 million in 1997.

1997 COMPARED TO 1996

Revenues were \$834.5 million, up 7% from \$779.8 million in 1996, as a result of balanced growth across the Company's businesses. Costs and expenses, excluding special credits, were \$664.1 million, up 6% from 1996. Operating income, excluding special credits, increased to \$170.4 million, a 20.4% margin, from \$150.9 million, a 19.4% margin, in 1996. Income from continuing

operations was \$102.3 million, or \$.74 per share in 1997, compared with \$99.5 million, or \$.73 per share in 1996. Excluding special credits, income from continuing operations increased to \$88.9 million, or \$.64 per share from \$80.2 million, or \$.59 per share in 1996.

In 1997, the Company recognized \$21.0 million in special credits resulting from the 1995 business restructuring, compared with \$29.7 million in 1996 (see Note 12 of Notes to Financial Statements). Interest expense of \$30.1 million in 1997 was \$2.2 million higher than in 1996 due to a non-recurring reversal of \$2.5 million in interest expense associated with overearnings liabilities recorded in 1996. Results in 1997 also included an extraordinary, non-cash charge of \$210.0 million due to the discontinuance of SFAS 71. This charge was net of a related tax benefit of \$129.2 million (see Note 4 of Notes to Financial Statements).

Operating results were also affected by two significant initiatives that began in 1997. The first initiative was the effort to reprogram the Company's information systems for the Year 2000. The second was the effort to modify CBT's network, as mandated by regulators, to accommodate connections with competing networks and to allow customers to maintain their telephone numbers when they switch local service providers.

LOCAL COMMUNICATIONS SERVICES

(\$ in millions)	1998	1997	% Change 98 vs. 97	1996	% Change 97 vs. 96
Revenues:					
Local service	\$407.9	\$386.2	6	\$370.6	4
Network access	180.9	170.0	6	161.9	5
Other services	129.6	113.9	14	118.3	(4)
Total	718.4	670.1	7	650.8	3
Costs and expenses:					
Operating expenses	555.2	533.8	4	523.6	2
Year-2000 programming costs	10.9	4.2	160	--	--
Mandated telecommunications costs	10.6	6.3	68	--	--
Special credits: Restructuring/ settlement gains	--	(21.0)	--	(28.5)	--
Total	576.7	523.3	10	495.1	6
Operating income	\$141.7	\$146.8	(3)	\$155.7	(6)
Excluding special credits:					
Operating income	\$141.7	\$125.8	13	\$127.2	(1)
Operating margin	19.7%	18.8%		19.6%	

1998 COMPARED TO 1997

The Local Communications Services segment had another strong performance in 1998, enjoying the benefits of continued growth in access lines, voice grade

equivalents and value-added services, such as Caller ID and other custom calling features. This, in combination with increased usage of the Company's network on a minutes-of-use basis, contributed significantly to the increase in revenue over 1997. Excluding special credits, continued focus on the Company's cost structure allowed for the improvement of operating margins over 1997. In 1997, a pension settlement gain of \$21.0 million benefited operating income, while no such gain was realized in 1998.

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REVENUES

Revenues increased \$48.3 million, or 7%. Local service revenues increased \$21.7 million, primarily due to access line growth of 3% and increased usage of the Company's suite of custom calling services.

Network access revenues increased \$10.9 million, or 6%. This was primarily due to growth in high-capacity digital services; voice grade equivalents increased 40%. Minutes of use increased 6.6% along with an increase in end-user access charges, but these were offset by a reduction in interstate per-minute rates instituted by the Federal Communications Commission (FCC) and by a reduction in intrastate rates instituted as part of the "Commitment 2000" plan as approved by the Public Utilities Commission of Ohio.

Revenues from other services increased \$15.7 million, or 14%. Revenues from the Company's National Payphone Clearinghouse business and commissions associated with the deregulation of the public payphone business increased \$6.9 million in 1998. The Company's FUSE Internet access service increased \$2.6 million in 1998. The remainder of the increase in this category is attributable to equipment and wiring sales and consulting revenues from the Company's new data services business, partially offset by increased uncollectible expense of \$4.3 million.

COSTS AND EXPENSES

Operating expenses increased \$21.4 million, or 4%. Approximately \$12 million of the increase is attributable to increased headcount and higher wages. Right-to-use fees for network switching systems decreased by \$2.3 million, but were offset by increased expenditures for contract and consulting services. Expenses also increased approximately \$5 million due to mandated charges to fund universal service initiatives and \$2.3 million for increased advertising.

Depreciation expense was approximately \$14 million lower in 1998, attributable to the discontinuance of SFAS 71, "Accounting for the Effects of Certain Types of Regulation," in the fourth quarter of 1997 (see further discussion in Note 4 of Notes to Financial Statements).

Year-2000 programming expenses totaled \$10.9 million, a \$6.7 million increase. Regulator-mandated interconnection and local number portability expenses totaled \$10.6 million in 1998, \$4.3 million more than the prior year.

No pension settlement gains or adjustments relating to the 1995 restructuring were recognized in 1998, whereas 1997 costs and expenses included a credit of \$21.0 million.

1997 COMPARED TO 1996

REVENUES

Revenues increased \$19.3 million, or 3%. Local service revenues increased \$15.6 million, or 4%, primarily from continuing growth in access lines. The strong business economy, higher installations of second lines and demand for access to on-line computer services increased access lines 5% for the year. Revenues from enhanced custom calling features increased as a result of access line growth, promotions and increased advertising.

Network access revenues increased \$8.1 million or 5%. Digital services revenues increased \$3.3 million; voice grade equivalents increased 25%. End-user charges associated with access line growth increased \$3.2 million. Usage-sensitive revenues increased \$1.6 million on an 8% increase in minutes of use.

Other services decreased \$4.4 million, or 4% due to the repricing of directory listing information provided to CBD, offset by increased revenues for existing products, the introduction of new services such as Internet access and the deregulation of pay telephone services.

COSTS AND EXPENSES

Operating expenses increased \$10.2 million, or 2%. Contract labor, consulting fees and right-to-use fees increased \$14.1 million. Depreciation expense increased \$4.0 million, primarily as a result of higher telephone plant balances throughout 1997. This was somewhat offset by a \$4.0 million lower pension and benefit expense and a \$4.3 million reduction in taxes imposed upon the gross revenues of the segment.

Year-2000 programming costs totaled \$4.2 million while regulator-mandated spending for interconnection and local number portability totaled \$6.3 million.

Special credits were \$21.0 million in pension settlement gains in 1997 and \$28.5 million in pension settlement gains and restructuring adjustments in 1996.

In the fourth quarter of 1997, the application of SFAS 71, "Accounting for the Effects of Certain Types of Regulation," was discontinued and a \$210.0 million non-cash, extraordinary charge was recognized. The discontinuance of SFAS 71 did not have a significant effect on 1997 operating results (see Note 4 of Notes to Financial Statements).

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DIRECTORY SERVICES

(\$ in millions)	1998	1997	% Change 98 vs. 97	1996	% Change 97 vs. 96
Revenues	\$72.9	\$72.9	--	\$72.6	--
Costs and expenses	47.5	48.0	(1)	51.6	(7)
Operating income	25.4	24.9	2	21.0	19
Operating margin	34.8%	34.1%		28.9%	

1998 COMPARED TO 1997

REVENUES

Despite the advent of full-scale competition into our market area during 1998, Directory Services managed to preserve its revenue stream from 1997. While some degree of competitive loss was felt from two new competitors, one of which was previously a sales agent for the Company, revenues were maintained as a result of the introduction of new listing options that resulted in additional revenues.

COSTS AND EXPENSES

Costs and expenses in 1998 were virtually unchanged in comparison to the prior year. Sales commissions decreased as a result of slightly lower sales volume and a renegotiated commission rate. Advertising spending increased as new campaigns were designed to preserve market share and stimulate demand for value-added listings.

1997 COMPARED TO 1996

REVENUES

Revenues were essentially unchanged in comparison to 1996, due to a realignment of responsibility between segments as to the Company's white pages directory. The production of the white pages directory, and its approximately \$3 million in revenues, were transitioned to the Local Communications Services segment in 1997. Excepting this, the segment would have shown growth of 5% versus the previous year.

COSTS AND EXPENSES

Costs and expenses decreased \$3.6 million, or 7%. The majority of this decrease resulted from lower charges from CBT pursuant to changes in contract pricing for directory listing information and lower sales commissions. Some of the reduction in expense was offset by the development of a complementary, Internet-based service named "Cincinnati Today." Management believes that this Internet presence is necessary for more robust revenue growth in the face of new competition from other directory publishers.

OTHER COMMUNICATIONS SERVICES

(\$ in millions)	1998	1997	% Change 98 vs. 97	1996	% Change 97 vs. 96
Revenues	\$106.1	\$101.7	4	\$ 81.8	24
Costs and expenses	95.6	90.2	6	70.9	27
Operating income	10.5	11.5	(9)	10.9	5
Operating margin	9.9%	11.3%		13.3%	

1998 COMPARED TO 1997

REVENUES

Revenues increased \$4.4 million, or 4%. The Company's long distance subsidiary contributed a substantial gain in revenues over the prior year,

adding \$10.0 million of revenues as a result of increased subscribership and usage. The Company's equipment reseller reported a \$5.6 million decline in its revenues, due to the reduction in sales volume with a major customer and lower salvage prices on reclaimed materials for resale.

COSTS AND EXPENSES

Costs and expenses increased \$5.4 million, or 6%. The long distance subsidiary experienced increased selling and administrative expenses to acquire new subscribers and enter the data market with the introduction of frame relay service and Internet access. The equipment reseller operation reported lower product costs due to the decreased sales volume previously discussed.

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1997 COMPARED TO 1996

REVENUES

Revenues increased \$19.9 million, or 24%. The Company's long distance subsidiary reported an \$8.0 million increase in revenues from 1996 results. This was the result of increased subscribership and usage by end-user customers and increased sales of station equipment to business customers. The Company's equipment reseller reported an increase of \$11.9 million as a result of increased sales of personal computers to a large customer.

COSTS AND EXPENSES

Costs and expenses increased \$19.3 million, or 27%. The long distance subsidiary experienced increased selling and administrative expenses to acquire new subscribers and higher product costs related to the sale of station equipment to business customers. The equipment reseller operation showed a \$10.5 million increase in product costs related to the sale of personal computers.

----- WIRELESS VENTURE LOSS AND OTHER (INCOME) EXPENSE, NET

(\$ in millions)	1998	1997	% Change 98 vs. 97	% Change 1996 97 vs. 96
Wireless venture loss	\$27.3	--	--	--
Other (income) expense, net	2.4	\$2.7	--	\$(.5) --

1998 COMPARED TO 1997

On December 31, 1998, the Company acquired an 80% interest from AT&TPCS in a venture offering PCS in the Greater Cincinnati and Dayton markets. The agreement specified that prior to the funding of the venture, the Company and AT&T PCS would operate under an interim agreement whereby losses would be funded in the same percentages as the proposed venture. In 1998, this resulted in a loss of \$27.3 million. It is anticipated that this PCS business will be reported as an operating segment in 1999.

1997 COMPARED TO 1996

The net reduction in income is primarily the result of reduced interest income

and higher corporate expense

INTEREST EXPENSE

			% Change		% Change
(\$ in millions)	1998	1997	98 vs. 97	1996	97 vs. 96
	\$24.2	\$30.1	(20)	\$27.9	8

1998 COMPARED TO 1997

Interest expense declined in 1998 due to lower weighted average interest rates and a reclassification of interest during construction in 1998.

1997 COMPARED TO 1996

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

INCOME TAXES

			% Change		% Change
(\$ in millions)	1998	1997	98 vs. 97	1996	97 vs. 96
Income taxes	\$44.3	\$56.3	(21)	\$53.7	5
Effective tax rate	35.1%	35.5%		35.1%	

1998 COMPARED TO 1997 AND 1997 COMPARED TO 1996

In 1998, the decrease in tax expense was the result of lower pre-tax income, primarily due to the wireless venture loss. The 1997 increase was the result of higher pre-tax income. The effective tax rates were comparable.

EXTRAORDINARY ITEMS, NET OF TAXES

			% Change		% Change
(\$ in millions)	1998	1997	98 vs. 97	1996	97 vs. 96
	\$1.0	\$210.0	--	--	--

1998 COMPARED TO 1997 AND 1997 COMPARED TO 1996

In the fourth quarter of 1998, the Company retired debt and a portion of a credit facility, and recorded an extraordinary non-cash charge of \$1.0 million, which is net of a related tax benefit of \$.5 million.

In 1997, as described in Note 4 of Notes to Financial Statements, the Company

discontinued the application of SFAS 71 which resulted in an extraordinary, non-cash charge of \$210.0 million, net of income taxes.

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FINANCIAL CONDITION

CAPITAL INVESTMENT, RESOURCES AND LIQUIDITY

Management believes that the Company has adequate internal and external resources available to finance its on-going operating requirements, including network expansion and modernization, business development and dividend programs.

In October 1998, the Company and CBT filed a shelf registration with the Securities and Exchange Commission for the sale of up to \$350 million in debt securities, with terms to be determined at the time of sale. Proceeds of any issues will be used to repay debt and for general corporate purposes.

In November, CBT used the shelf registration to issue \$150 million of 6.3% debentures due 2028. The proceeds were used to finance the early redemption of \$50 million of 7 3/8% debentures due in August 2011, and to reduce short-term debt.

On December 31, 1998, the Company paid approximately \$162 million in cash to AT&T PCS in exchange for an 80% interest in a PCS venture, including the license for the operating area and other operating assets and liabilities. The transaction was financed by the issuance of short-term debt.

The Company plans to issue \$100 million of long-term debt securities in the first half of 1999. The proceeds will be used to pay down short-term debt incurred for the acquisition of the PCS venture. The Company would still have \$100 million of unused capacity from the shelf registration.

Cash provided by operating activities was \$212 million compared to \$197 million in 1997. Earnings, adjusted for non-cash expenses, special credits and extraordinary items, were higher in 1998. Increases in payables and other liabilities were partially offset by an increase in accounts receivable.

The Company's significant investing activities are capital expenditures and acquisitions. Capital expenditures were approximately \$143 million, down from \$167 million in 1997. This decrease is attributable to lower equipment purchases by CBT in 1998 and CBT's 1997 purchase of a separate 10 mega-hertz wireless license. Acquisitions totaled approximately \$166 million for the investment in the PCS venture, and for the purchase of a network integration and consulting business.

Capital expenditures for 1999, including capitalization of software as required by AICPA Statement of Position 98-1, are estimated to be \$190 million, excluding acquisitions.

BALANCE SHEET

Receivables increased \$10.1 million primarily as a result of higher revenues. Significant increases in property, plant and equipment, goodwill and other intangibles, and short-term and long-term debt were primarily due to the acquisitions noted in other sections of this report. Total net assets and shareholders' equity were reduced by \$520.7 million to reflect the spin-off of Convergys.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to the impact of interest rate changes. To manage its exposure to interest rate changes, the Company uses a combination of variable rate short-term and fixed rate long-term financial instruments. The Company may, from time to time, employ a small number of financial instruments to manage its exposure to fluctuations in interest rates. The Company does not hold or issue derivative financial instruments for trading purposes, or enter into interest rate transactions for speculative purposes.

Interest Rate Risk Management -- The Company's objective in managing its

exposure to interest rate changes is to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs.

The following table describes the financial instruments that were held by the Company at December 31, 1998:

MATURITY DATES FOR LONG-TERM DEBENTURES AND NOTES

(\$ in millions)	1999-2001	2002	Thereafter	Total	Fair Value

Fixed-rate debentures and notes	--	\$20.0	\$320.0	\$340.0	\$355.1
Average interest rate	--	4.4%	6.7%	6.5%	

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REGULATORY MATTERS AND COMPETITIVE TRENDS

FEDERAL -- In July 1997, the U.S. Court of Appeals issued a decision stating that the FCC exceeded its authority under the Telecommunications Act of 1996 in several areas regarding rules governing local competition. On January 25, 1999, the U.S. Supreme Court overturned the U.S. Court of Appeals decision and reinstated the FCC's rules involving 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 CBT 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. CBT 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 CBT had already begun complying with the FCC's order, the Court's decision is not expected to have a material impact on CBT's operations.

Also in May 1997, the FCC adopted an order on the new universal service program. Several parties, including CBT, filed petitions for review of the order in various circuits of the U.S. Court of Appeals. The court 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 CBT's operations.

In July 1997, CBT's price cap tariff filing was approved by the FCC without suspension. CBT 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 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.

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 Rule Making, opening a proceeding which will address, on a prospective basis, if Federal rules are required to address reciprocal compensation issues for ISP traffic. At this time, the Company cannot determine the full impact that the ultimate outcome of the proceeding will have on CBT's operations.

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

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OHIO -- On March 19, 1998, CBT, the PUCO, the Office of Consumers Counsel and other intervenors reached a settlement on CBT'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 CBT'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 CBT's discretion as long as a service quality benchmark is maintained. The portion of this case pertaining to the rates that CBT can charge competitive LECs for unbundled network elements (UNEs) remains undecided. Currently, CBT is charging interim rates developed in contract negotiations. A hearing concerning these rates began in March 1999.

KENTUCKY -- On June 29, 1998, CBT filed an application with the Public Service Commission of Kentucky (PSCK) requesting a plan similar to the "Commitment 2000" 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, adopting an earnings sharing plan allowing customers to receive one-half the earnings on equity in excess of 13.5%. The PSCK also specified that residential rates be frozen for three years and ordered rate reductions of approximately \$3 million per year versus current rates. CBT 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.

BUSINESS OUTLOOK

Evolving technology, the preferences of consumers, the legislative and regulatory initiatives of policy makers and the convergence of other industries with the telecommunications industry are causes for increasing competition

throughout the telecommunications industry. The range of communications services, the equipment available to provide and access such services, and the number of competitors offering such services, continue to increase. These initiatives and developments could make it difficult for the Company to maintain current revenue and profit levels.

CBT's competitors could include other incumbent LECs, wireless services providers, interexchange carriers, competitive local exchange carriers and others. To date, CBT has signed 10 interconnection agreements with competitors, and approximately 4,000 access lines have been transferred to competitors.

The Company'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 Company 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. This competition may affect CBD's ability to grow or maintain profits and revenues. CBLD's competitors include interexchange carriers and certain local exchange companies. CBS's competitors include vendors of new and used communications and computer equipment operating regionally and across the nation. CBW is one of five active wireless service providers in the Cincinnati and Dayton metropolitan market areas.

YEAR-2000 READINESS

Since 1996, the Company has devoted significant time and resources to achieve Year-2000 compliance.

A Steering Committee, chaired by the CBT'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 CBT 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 CBT's systems interface or rely upon, to determine their progress toward Year-2000 compliance.

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

CBT'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 this date or before the Year 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.

RECENTLY ISSUED ACCOUNTING STANDARDS

On January 1, 1999, the Company adopted AICPA Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." SOP 98-1 requires the capitalization of certain expenditures for software that is purchased or internally developed for use in the business. As compared to prior years when these types of expenditures were expensed as incurred, the 1999 adoption of SOP 98-1 is estimated to result in the capitalization of as much as \$9 million to \$12 million of internal use software development costs, which will be amortized over a three-year period.

In June 1998, Statement of Financial Accounting Standards (SFAS) 133, "Accounting for Derivative Instruments and Hedging Activities," was issued. SFAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure these instruments at fair value. The Company may, from time to time, employ a small number of financial instruments to manage its exposure to fluctuations in interest rates. The Company will adopt SFAS 133, as required in the year 2000, and does not expect the impact of adoption to be material.

BUSINESS DEVELOPMENT

To enhance shareowner value, the Company continues to review opportunities for acquisitions, divestitures and strategic partnerships.

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REPORTS OF MANAGEMENT AND INDEPENDENT ACCOUNTANTS CINCINNATI BELL INC.

REPORT OF MANAGEMENT

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

In meeting its responsibility for the reliability of the financial statements, management maintains a system of internal accounting controls, which is continually reviewed and evaluated. Our internal auditors monitor compliance with the system of internal controls in connection with their program of internal audits. However, there are inherent limitations that should be

recognized in considering the assurances provided by any system internal accounting controls. Management believes that its system provides reasonable assurance that assets are safeguarded and that transactions are properly recorded and executed in accordance with management's authorization, that the recorded accountability for assets is compared with the existing assets at reasonable intervals, and that appropriate action is taken with respect to any differences. Management also seeks to assure the objectivity and integrity of its financial data by the careful selection of its managers, by organization arrangements that provide an appropriate division of responsibility, and by communications programs aimed at assuring that its policies, standards and managerial authorities are understood throughout the organization.

The financial statements have been audited by PricewaterhouseCoopers LLP, independent accountants. Their audit was conducted in accordance with generally accepted auditing standards.

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

/s/ Kevin W. Mooney

Kevin W. Mooney
CHIEF FINANCIAL OFFICER

REPORT OF INDEPENDENT ACCOUNTANTS

TO THE BOARD OF DIRECTORS AND THE
SHAREOWNERS OF CINCINNATI BELL INC.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and comprehensive income, of shareowners' equity and of cash flows present fairly, in all material respects, the financial position of Cincinnati Bell Inc. (the Company) and its subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 4 to the Financial Statements, the Company discontinued applying the provisions of Statement of Financial Accounting Standard 71, "Accounting for the Effects of Certain Types of Regulation," in 1997.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Cincinnati, Ohio
March 12, 1999

BALANCE SHEET		ASSETS	
		12/31/98	12/31/97
Current Assets			
Cash and cash equivalents		1,234,567	1,123,456
Accounts receivable		2,345,678	2,234,567
Inventory		345,678	334,567
Prepaid expenses		45,678	56,789
Other current assets		56,789	67,890
Total Current Assets		4,027,710	3,817,269
Non-Current Assets			
Property, plant, and equipment		12,345,678	11,234,567
Goodwill		1,234,567	1,123,456
Intangible assets		567,890	556,789
Other non-current assets		78,901	89,012
Total Non-Current Assets		14,227,036	13,003,824
Total Assets		18,254,746	16,821,093
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable		1,234,567	1,123,456
Short-term debt		2,345,678	2,234,567
Other current liabilities		345,678	334,567
Total Current Liabilities		3,925,923	3,692,590
Non-Current Liabilities			
Long-term debt		10,123,456	9,012,345
Other non-current liabilities		1,234,567	1,123,456
Total Non-Current Liabilities		11,358,023	10,135,801
Total Liabilities		15,283,946	13,828,391
Equity			
Common stock		1,000,000	1,000,000
Retained earnings		2,000,000	2,000,000
Total Equity		3,000,000	3,000,000
Total Liabilities and Equity		18,283,946	16,828,391

CONSOLIDATED BALANCE SHEETS

Cincinnati Bell Inc.

Millions of dollars except per share amounts 1997	at December 31 1998	

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 10.1	\$
7.8		
Receivables, less allowances of \$12.0 and \$9.1	138.0	
127.9		
Material and supplies	16.9	
16.3		
Deferred income tax benefits	13.8	
10.9		
Prepaid expenses and other current assets	18.6	
21.3		
	-----	-----
Total current assets	197.4	
184.2		
PROPERTY, PLANT AND EQUIPMENT, NET	698.2	
573.2		
GOODWILL AND OTHER INTANGIBLES	103.3	
17.4		
INVESTMENTS IN UNCONSOLIDATED ENTITIES	2.5	
4.9		
DEFERRED CHARGES AND OTHER ASSETS	39.6	
64.6		
NET ASSETS OF DISCONTINUED OPERATIONS	--	
430.8		
	-----	-----
TOTAL ASSETS	\$1,041.0	
\$1,275.1		
	-----	-----

LIABILITIES AND SHAREOWNERS' EQUITY		
CURRENT LIABILITIES		
Debt maturing within one year	\$ 186.2	\$
131.5		
Payables and other current liabilities	219.1	
186.8		
	-----	-----
Total current liabilities	405.3	
318.3		
LONG-TERM DEBT	366.8	
268.0		

DEFERRED INCOME TAXES	6.3
14.4	
OTHER POSTRETIREMENT BENEFITS	47.5
50.0	
OTHER LONG-TERM LIABILITIES	73.0
44.7	

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Total liabilities	898.9	
695.4		
	-----	-----

COMMITMENTS AND CONTINGENCIES

SHAREOWNERS' EQUITY

Preferred shares, no par value; 5,000,000 shares authorized; no shares issued and outstanding	--	
Common shares, \$1 par value; 480,000,000 shares authorized; 136,381,509 and 136,066,965 shares issued and outstanding	136.4	
136.1		
Additional paid-in capital	12.4	
229.8		
Retained earnings	--	
221.9		
Accumulated other comprehensive income (loss)	(6.7)	
(8.1)		
---	-----	-----
Total shareowners' equity	142.1	
579.7		
	-----	-----

TOTAL LIABILITIES AND SHAREOWNERS' EQUITY	\$1,041.0	
\$1,275.1		
	-----	-----
	-----	-----

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

Millions of dollars	Year ended December 31	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)		\$ 149.9	\$ (16.4)	\$185.0
Less: income from discontinued operations, net of taxes		(69.1)	(91.3)	(85.5)
Net income (loss) from continuing operations		80.8	(107.7)	99.5
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities:				
Depreciation and amortization		111.1	124.3	121.0
Special charges (credits)		(1.1)	(21.0)	(29.7)
Provision for loss on receivables		15.8	7.3	8.0
Extraordinary items, net of taxes		1.0	210.0	--
Other, net		--	(6.4)	10.8
Change in operating assets and liabilities net of effects from acquisitions and disposals:				
Increase in receivables		(24.9)	(26.3)	(1.3)
Decrease (increase) in other current assets		2.1	(7.4)	.1
Increase (decrease) in accounts payable and accrued liabilities		40.9	45.1	(53.4)
Increase (decrease) in other current liabilities		(7.5)	(43.2)	(21.7)
Increase (decrease) in deferred income taxes and unamortized investment tax credits		(11.0)	17.4	7.1
Decrease (increase) in other assets and liabilities, net		5.1	5.3	(8.4)
Net cash provided by operating activities of continuing operations		212.3	197.4	132.0
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures - telephone plant		(136.3)	(143.9)	(99.3)
Capital expenditures - other		(7.0)	(23.2)	(.7)
Acquisitions		(165.9)	--	(.3)
Dispositions of assets		--	--	12.7
Other investing activities, net		--	13.3	(4.9)
Net cash used in investing activities of continuing operations		(309.2)	(153.8)	(92.5)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issuance of long-term debt		150.0	--	--
Repayment of long-term debt		(51.2)	(99.6)	(82.4)
Short-term borrowings, net		54.7	109.5	67.4
Issuance of common shares		.3	9.1	23.7
Dividends paid		(54.4)	(54.3)	(53.7)
Net cash provided by (used in) financing activities of continuing operations		99.4	(35.3)	(45.0)
Net cash provided by discontinued operations		(.2)	(.2)	2.3
Net increase (decrease) in cash and cash equivalents		2.3	8.1	(3.2)
Cash and cash equivalents at beginning of year		7.8	(.3)	2.9
Cash and cash equivalents at end of year		\$ 10.1	\$ 7.8	\$ (.3)

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

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CONSOLIDATED STATEMENTS OF COMMON SHAREOWNERS' EQUITY

Cincinnati Bell Inc.

Millions of dollars except per share amounts	Common Shareowners' Equity					Total
	Common Shares Outstanding (millions)	Common Shares	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	
BALANCE AT JANUARY 1, 1996	133.4	\$133.4	\$ 189.4	\$ 162.1	\$ (6.8)	\$478.1

Shares issued under shareowner and employee plans	1.7	1.7	23.7	.3	--	25.7
Net income	--	--	--	185.0	--	185.0
Currency translation adjustments	--	--	--	--	(.5)	(.5)
Dividends on common shares, \$.40 per share	--	--	--	(53.9)	--	(53.9)
<hr/>						
BALANCE AT DECEMBER 31, 1996	135.1	135.1	213.1	293.5	(7.3)	634.4
Shares issued under shareowner and employee plans	1.0	1.0	16.7	(.8)	--	16.9
Net loss	--	--	--	(16.4)	--	(16.4)
Additional minimum pension liability adjustment	--	--	--	--	.8	.8
Currency translation adjustments	--	--	--	--	(1.6)	(1.6)
Dividends on common shares, \$.40 per share	--	--	--	(54.4)	--	(54.4)
<hr/>						
BALANCE AT DECEMBER 31, 1997	136.1	136.1	229.8	221.9	(8.1)	579.7
Shares issued under shareowner and employee plans	.3	.3	(.3)	--	--	--
Net income	--	--	--	149.9	--	149.9
Additional minimum pension liability adjustment	--	--	--	--	(2.5)	(2.5)
Currency translation adjustments	--	--	--	--	(4.8)	(4.8)
Restricted stock issuance	--	--	(4.9)	--	--	(4.9)
Dividends on common shares, \$.40 per share	--	--	--	(54.6)	--	(54.6)
Spin-off of Convergys	--	--	(212.2)	(317.2)	8.7	(520.7)
<hr/>						
BALANCE AT DECEMBER 31, 1998	136.4	\$136.4	\$ 12.4	\$ --	\$ (6.7)	\$142.1
<hr/>						

The accompanying notes are an integral part of the financial statements

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NOTES TO FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

CONSOLIDATION AND BASIS OF PRESENTATION -- The consolidated financial statements include the accounts of Cincinnati Bell Inc. and its majority owned subsidiaries in which the Company exercises control (the Company). The Company provides diversified communications services through businesses in three industry segments: Local Communications Services, Directory Services, and Other Communications Services. All significant intercompany transactions and balances have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current classifications with no effect on financial results.

REGULATORY ACCOUNTING -- In the fourth quarter of 1997, the Company discontinued accounting under Statement of Financial Accounting Standards (SFAS) 71, "Accounting for the Effects of Certain Types of Regulation," at CBT (see Note 4).

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

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

MATERIALS AND SUPPLIES -- Materials and supplies are carried at the lower of average cost or market.

PROPERTY, PLANT AND EQUIPMENT -- Property, plant and equipment are stated at cost. The Company's provision for depreciation of telephone plant is determined on a straight-line basis using the whole life and remaining life methods. Prior to the discontinuation of SFAS 71, the depreciation of telephone plant at CBT was determined using lives allowed by regulators. As a result of the discontinuation of SFAS 71 in the fourth quarter of 1997, CBT

recognized shorter, more economically realistic lives than those described by regulators and increased its accumulated depreciation balance by \$309.0 million (see Note 4). Provision for depreciation of other property is based on the straight-line method over the estimated useful life.

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

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

REVENUE RECOGNITION -- Within the Local Communications Services segment, local service revenues are generally billed monthly, in advance, with revenues recognized as earned. Network access revenues are billed according to usage and are recognized as earned. Other local communications services revenues are recognized as earned. Directory Services revenues and related directory costs are generally deferred and recognized over the life of the associated directory, normally twelve months. Other Communications Services revenues are recognized as earned.

ADVERTISING -- Costs related to advertising are expensed as incurred.

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

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

FINANCIAL INSTRUMENTS -- In the normal course of business, the Company may, from time to time, employ a small number of financial instruments to manage its exposure to fluctuations in interest rates. The Company does not hold or issue derivative financial instruments for trading purposes.

RECENTLY ISSUED ACCOUNTING STANDARDS -- On January 1, 1999, the Company adopted AICPA Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," issued in March 1998. SOP 98-1 requires the capitalization of certain expenditures for software that are purchased or internally developed for use in the business. The Company's adoption of this standard will result in capitalization of software development costs in 1999.

In June 1998, Statement of Financial Accounting Standards (SFAS) 133, "Accounting for Derivative Instruments and Hedging Activities," was issued. SFAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of

financial position and measure those instruments at fair value. Company may, from time to time, employ a small number of financial instruments to manage its exposure to fluctuations in interest rates. The Company does not hold or issue such financial instruments for trading purposes. The Company will adopt SFAS 133, as required in the year 2000, and does not expect the impact of adoption to be material.

2. ACQUISITIONS

In February 1998, the Company announced its intention to acquire from AT&T Wireless PCS, Inc. (AT&T PCS), an 80% interest in a venture offering personal communications services (PCS) in the Greater Cincinnati and Dayton markets. The agreement specified that prior to the funding of the venture, the Company and AT&T PCS would operate under an interim agreement where losses would be funded in the same percentages as the proposed venture. The Company's required funding of the losses was \$27.3 million from February through December 31, 1998, the closing date of the acquisition. This loss has been included in the Company's Consolidated Statements of Income and Comprehensive Income under the caption, "Wireless Venture Loss."

On December 31, 1998, the Company paid approximately \$162 million in cash to AT&T PCS in exchange for an 80% interest in the wireless venture, including a PCS license and other assets and liabilities. At the balance sheet date, 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 following table illustrates the effects of the venture acquisition on a pro-forma basis as though it had occurred at January 1, 1998. The unaudited pro-forma combined financial information presented below is provided for informational purposes only and does not purport to be indicative of future results or what the results of operations would have been had the acquisition been effective with the inception of this business:

Millions of dollars

except per share

amount (unaudited) Year ended December 31 1998

Revenues		\$903.4
Income from continuing operations before tax		\$110.7
Income from continuing operations		\$ 72.6
Income from continuing operations per diluted common share		\$.53

In October 1998, the Company acquired KSM Consulting, a software solutions company (now part of a newly-created subsidiary named EnterpriseWise IT Consulting LLC). The purchase price was approximately \$3.9 million and was accounted for by the purchase method of accounting. The goodwill recorded for this acquisition was \$3.0 million, and will be amortized over a 10-year period.

3. DISCONTINUED OPERATIONS

On May 8, 1998, the Company formed a new subsidiary, Convergys Corporation (Convergys), to hold the Company's billing and customer management businesses (formerly CBIS and MATRIX Marketing, respectively) and the Company's interest in a cellular partnership. In August 1998, Convergys sold approximately 15 million common shares to the public, reducing the company's interest in Convergys to approximately 90% of shares outstanding. On December 31, 1998, the Company completed the tax-free spin-off of Convergys by distributing to Company shareowners the remaining Convergys shares on a one-for-one basis, resulting in a \$520.7 million reduction in the Company's common shareowners' equity.

The consolidated financial statements have been restated to reflect the disposition of Convergys and its subsidiaries as discontinued operations. Accordingly, the revenues, costs and expenses, assets and liabilities, and cash flows of Convergys have been reported through December 31, 1998, as "Income from Discontinued Operations, Net of Taxes," or "Net Assets of Discontinued Operations," or "Net Cash Provided by Discontinued Operations."

Summarized financial information for the discontinued operations is as follows:

Millions of dollars	Year ended December 31	1998	1997	1996
RESULTS OF OPERATIONS				
Revenues		\$1,387.3	\$ 922.3	\$ 793.9
Income before income taxes		118.3	138.3	131.5
Income taxes		49.2	47.0	46.0
Net income		69.1	91.3	85.5
FINANCIAL POSITION				
Current assets		360.5	265.8	
Total assets		1,450.9	654.4	
Current liabilities		697.9	216.7	
Total liabilities		930.2	223.6	
Net assets of discontinued operations		520.7	430.8	

Income before income taxes includes allocated interest expense of \$33.7 million, \$5.4 million, and \$6.0 million in 1998, 1997 and 1996, respectively. Interest expense was allocated based on the capital structure of Convergys anticipated at the date of distribution and the Company's weighted average interest rates. The effective tax rates for discontinued operations were 42%, 34% and 35%, respectively.

In 1998, 1997 and 1996, the Company had revenues from Convergys of \$10.1 million, \$18.6 million and \$6.2 million, respectively, resulting from the provision of communications and other services.

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In 1998, 1997 and 1996, the Company incurred costs for services provided by Convergys of \$49.8 million, \$49.6 million and \$45.0 million, respectively, resulting from billing and customer management services.

At December 31, 1998 and 1997, the Company had net receivables from Convergys of \$3.9 million and \$1.6 million, respectively.

The Company and Convergys entered into the Plan of Reorganization and

Distribution Agreement (the Plan) dated July 20, 1998. The Plan provides, among other things, that the Company will indemnify Convergys for all liabilities arising from the Company's business and operations and for all contingent liabilities related to the Company's business and operations otherwise assigned to the Company. The Plan provides for the equal sharing of contingent liabilities not allocated to one of the companies. In addition, the Company has a number of other agreements with Convergys regarding federal, state and local tax allocation and sharing, employee benefits, general services, billing and information services provided to the Company by Convergys, and telecommunications support services provided by the Company to Convergys.

4. DISCONTINUATION OF SFAS 71

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

The components of the charge are as follows:

Millions of dollars

Reduction in plant-related balances	\$327.7
Elimination of other net regulatory assets and liabilities	11.5

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

The change in plant balances primarily represents an increase in accumulated depreciation of \$309.0 million for the removal of an embedded regulatory asset resulting from the use of regulatory lives for depreciation of plant assets which have typically been longer than the estimated economic lives. The adjustment was supported by a discounted cash flow analysis which estimated amounts of plant that may not be recoverable from future cash flows. The adjustment also included elimination of accumulated depreciation reserve deficiencies recognized by regulators and amortized as part of depreciation expense and an adjustment of approximately \$9.5 million to fully depreciate analog switching equipment scheduled for replacement.

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

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

The discontinuance of SFAS 71 also required CBT to eliminate from its balance sheet the effects of any other actions of regulators that had been recognized as

assets and liabilities pursuant to SFAS 71, but would not have been recognized as assets and liabilities by enterprises in general. Prior to the discontinuance of SFAS 71, CBT had recorded deferred income taxes based upon the cumulative amount of income tax benefits previously flowed through to ratepayers and recorded a regulatory asset for the same amount (\$10.2 million at December 31, 1996). Also, CBT had recorded a regulatory liability of \$22.1 million at December 31, 1996, a substantial portion of which represents the excess deferred income taxes on depreciable assets, resulting primarily from the reduction in the statutory federal income tax rate from 46% to 35%. The discontinuation of SFAS 71 at CBT had no effect on the accounting for the Company's other subsidiaries.

5. INCOME TAXES

Income tax expense consists of the following:

Millions of dollars	Year ended December 31	1998	1997	1996
Current:				
Federal		\$51.1	\$57.3	\$36.1
State and local		7.6	4.3	4.8
Total current		58.7	61.6	40.9
Deferred		(12.8)	(4.1)	14.7
Investment tax credits		(1.6)	(1.2)	(1.9)
Total		\$44.3	\$56.3	\$53.7

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

Millions of dollars	at December 31	1998	1997
Deferred tax asset:			
Employee benefits		\$19.8	\$15.7
Unamortized investment tax credit		3.0	3.5
Wireless venture loss		9.6	-
Bad debt		3.4	1.2
Capitalized leases		3.3	3.0
State taxes		2.5	.5
Other		7.3	9.5
Total deferred tax asset		48.9	33.4
Deferred tax liability:			
Depreciation and amortization		22.3	19.3
Other		-	.3
Total deferred tax liability		22.3	19.6
Net deferred tax asset		\$26.6	\$13.8

The losses from the wireless venture were primarily responsible for the significant increase in the Company's deferred tax asset in 1998.

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

	1998	1997	1996
U.S. Federal statutory rate	35.0%	35.0%	35.0%
Rate differential on reversing temporary differences	-	(.2)	(.7)
State and local income taxes, net of federal income tax benefit	3.3	.9	2.3
Investment and research tax credits	(1.6)	(1.5)	(1.4)
Other differences	(1.6)	1.3	(.1)
Effective rate	35.1%	35.5%	35.1%

6. EMPLOYEE BENEFIT PLANS

PENSIONS AND POSTRETIREMENT PLANS

The Company sponsors three noncontributory defined benefit pension plans: one for eligible management employees, one for nonmanagement employees and one supplementary, nonqualified, unfunded plan for certain senior managers. The pension benefit formula for the management plan is a cash balance plan; the pension benefit is determined by a combination of compensation-based credits and annual guaranteed interest credits. The nonmanagement pension is also a cash balance plan; the pension benefit is determined by a combination of service and job-classification-based credits and annual interest credits. Benefits for the supplementary plan are based on years of service and eligible pay. Funding of the management and nonmanagement plans is achieved through contributions to an irrevocable trust fund. The contributions are determined using the aggregate cost method.

Effective January 1, 1999, pension assets were divided between the pension trusts of the Company and Convergys so that each company's plans have the required assets to meet the minimum requirements set forth in applicable benefit and tax regulations. The remaining assets in excess of the minimum requirements were divided between the pension trusts of the Company and Convergys in accordance with the Employee Benefits Agreement between the two companies. As of December 31, 1998, subject to final adjustment, the projected benefit obligations and plan assets to be retained by the Company's plans, effective January 1, 1999, were \$476.5 million and \$579.3 million, respectively. The Company's share of the plans' transition asset, prior service cost and net gains at December 31, 1998, were \$14.4 million, \$19.2 million and \$105.5 million, respectively. The Company has recorded a prepaid pension asset of \$2.1 million at December 31, 1998.

The Company uses the projected unit credit cost method for determining pension cost for financial reporting purposes. It accounts for certain benefits provided under early retirement packages, discussed in Note 12 as a special termination benefit.

The following information relates to all Company non-contributory defined-benefit pension plans, including amounts related to Convergys.

Pension cost includes the following components:

Millions of dollars	Year ended December 31	1998	1997	1996
Service cost (benefits earned during the period)		\$ 15.5	\$ 8.5	\$ 7.2
Interest cost on projected benefit obligation		35.0	37.6	35.3
Expected return on plan assets		(44.5)	(42.9)	(33.5)
Amortization of transition asset		(2.7)	(2.9)	(3.8)
Amortization of prior service cost		1.7	1.7	1.6
Amortization of net loss		.3	.3	1.2
Settlement gains		--	(21.0)	(27.4)
Curtailement loss		1.4	.3	--
Pension cost (income)		\$ 6.7	\$ (18.4)	\$ (19.4)
Pension cost (income) from continuing operations		\$.7	\$ (20.6)	\$ (21.2)

The following table sets forth the plans' funded status:

Millions of dollars	Year ended December 31	1998	1997
Change in benefit obligation:			
Benefit obligation at beginning of year		\$514.9	\$ 587.3
Service cost		15.5	8.5
Interest cost		35.0	37.6
Amendments		1.8	3.5
Actuarial loss		32.3	1.1
Settlement		-	(76.3)
Curtailement		.9	(.2)
Benefits paid		(44.4)	(46.6)
Benefit obligation at end of year		\$556.0	\$514.9
Change in plan assets:			
Fair value of plan assets at beginning of year		\$700.0	\$698.6
Actual return on plan assets		86.5	108.1
Employer contribution		5.4	16.2
Benefits paid		(44.4)	(46.6)
Settlement		-	(76.3)
Fair value of plan assets at end of year		\$747.5	\$700.0
Funded status		\$ 191.5	\$185.1
Unrecognized transition asset		(16.5)	(18.7)

Unrecognized prior service cost	23.9	23.8
Unrecognized net gain	(172.8)	(162.7)
	-----	-----
Net prepaid benefit expense	\$ 26.1	\$27.5
	-----	-----

The combined net prepaid benefit expense consists of:

Millions of dollars	Year ended December 31	1998	1997
		-----	-----
Prepaid benefit cost		\$40.0	\$38.7
Accrued benefit liability		(22.4)	(18.0)
Intangible asset		1.8	2.5
Accumulated other comprehensive income		6.7	4.3
		-----	-----
Net amount recognized		\$26.1	\$27.5
		-----	-----

At December 31, 1998, plan assets include \$52.8 million in Company and Convergys common stocks.

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

At December 31	1998	1997	1996
	-----	-----	-----
Discount rate - projected			
benefit obligation	6.50%	7.00%	7.25%
Future compensation growth rate	4.00%	4.00%	4.00%
Expected long-term rate of			
return on plan assets	8.25%	8.25%	8.25%

SAVINGS PLANS

The Company sponsors several defined contribution plans covering substantially all employees. The Company's contributions to the plans are based on matching a portion of the employee contributions or on a percentage of employee earnings or net income for the year. Total Company contributions to the defined contribution plans were \$4.0 million, \$3.4 million and \$3.2 million for 1998, 1997 and 1996, respectively. These amounts exclude \$6.8 million, \$5.8 million and \$6.2 million in 1998, 1997 and 1996, respectively, related to the spin-off of Convergys.

OTHER POSTRETIREMENT BENEFITS

The Company provides health care and group life insurance benefits for retirees with a service pension. The Company funds its group life insurance benefits through Retirement Funding Accounts (RFA) and funds health care benefits using Voluntary Employee Benefit Association (VEBA) trusts. It is the Company's practice to fund amounts as deemed appropriate from time to time. Contributions

are subject to IRS limitations developed using the aggregate cost method. The associated plan assets are primarily equity securities and fixed income investments.

Immediately following the spin-off of Convergys, Convergys established separate health and life insurance plans for certain of its employees. As of December 31, 1998, subject to final adjustment, the projected benefit obligation and plan assets to be retained by the Company's plans effective January 1, 1999, were \$234.8 million and \$127.9 million, respectively. The Company's share of the unrecognized transition obligation, prior service costs and net gains at December 31, 1998, were estimated to be \$68.6 million, \$2.6 million and \$11.8 million, respectively. The Company recorded an accrued postretirement benefit liability of \$47.5 million at December 31, 1998.

The following information relates to all Company postretirement healthcare and life insurance benefit plans, including amounts related to Convergys.

The components of postretirement benefit cost are as follows:

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Millions of dollars	Year ended December 31	1998	1997	1996

Service cost (benefits earned during the period)		\$ 2.5	\$ 2.1	\$ 1.8
Interest cost on accumulated postretirement benefit obligation		16.1	16.1	15.6
Expected return on plan assets		(9.4)	(7.3)	(5.7)
Amortization of transition asset/obligation		5.1	5.1	5.1
Amortization of prior service cost		.2	.2	.2
Amortization of net gain		(.2)	(.1)	--
		-----	-----	-----
Postretirement benefit cost		\$14.3	\$16.1	\$17.0
		-----	-----	-----
Postretirement benefit cost from continuing operations		\$12.3	\$14.3	\$15.4

The funded status of the plan is:

Millions of dollars	Year ended December 31	1998	1997

Change in benefit obligation:			
Benefit obligation at beginning of year		\$236.7	\$227.3
Service cost		2.5	2.1
Interest cost		16.1	16.1
Actuarial loss		14.1	6.2
Benefits paid		(17.0)	(15.0)
		-----	-----
Benefit obligation at end of year		\$252.4	\$236.7
		-----	-----
Change in plan assets:			
Fair value of plan assets at beginning of year		\$116.8	\$ 95.1
Actual return on plan assets		18.7	23.7
Employer contribution		15.2	13.0
Benefits paid		(17.0)	(15.0)
		-----	-----
Fair value of plan assets at end of year		\$133.7	\$116.8
		-----	-----
Funded status		\$ (118.7)	\$ (119.9)
Unrecognized transition obligation		72.2	77.3
Unrecognized prior service cost		2.9	3.1
Unrecognized net gain		(10.3)	(15.3)
		-----	-----
Accrued benefit expense		\$ (53.9)	\$ (54.8)
		-----	-----

The transition obligation is being amortized over 20 years.

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

at December 31	1998	1997	1996

Discount rate - APBO	6.50%	7.00%	7.25%
Expected long-term rate of return for VEBA assets	8.25%	8.25%	8.25%
Expected long-term rate of return for RFA assets	8.00%	8.00%	8.00%

The assumed health care cost trend rate used to measure the postretirement health benefit obligation at December 31, 1998, was 5.4% and is assumed to decrease gradually to 4.3% by the year 2005. In addition, a one percentage point change in assumed health care cost trend rates would have the following effect on the postretirement benefit costs and obligation:

Millions of dollars	1% Increase	1% Decrease
1998 service and interest costs	\$.8	\$(.7)
Postretirement benefit obligation		
at December 31, 1998	\$9.8	\$(8.4)

7. DEBT OBLIGATIONS

Debt maturing within one year consists of the following:

Millions of dollars	at December 31	1998	1997	1996
Short-Term Debt:				
Commercial paper		\$185.5	\$57.0	\$ --
Bank notes		--	71.0	37.1
Current maturities of long-term debt		.7	3.5	100.7
Total		\$186.2	\$131.5	\$137.8
Weighted average interest rates on short-term debt		5.6%	5.7%	5.6%

Average balances of short-term debt and related interest rates for the last three years are as follows:

Millions of dollars	1998	1997	1996
Average amounts of short-term debt outstanding during the year*	\$ 87.5	\$ 64.2	\$ 35.6
Weighted average interest rate during the year**	5.6%	5.7%	5.6%
Maximum amounts of short-term debt at any month-end during the year	\$185.5	\$129.5	\$ 62.1

* Amounts represent the average daily face amount of notes.

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

In the first quarter of 1998, the Company entered into a \$1,250 million debt facility primarily to fund Convergys' short-term borrowing needs prior to the spin-off. In the fourth quarter of 1998, the Company retired \$650 million of this facility, resulting in an extraordinary charge of \$.4 million, net of a related tax benefit of \$.3 million. At December 31, 1998, the Company had approximately \$415 million of unused bank lines of credit under this facility, which are available to provide support for commercial paper borrowings. These

lines of credit are available for general corporate purposes. There are no material compensating balances or commitment fee agreements under these credit arrangements.

Long-term debt consists of the following:

Millions of dollars	at December 31	1998	1997
<hr/>			
Debentures/Notes			
Year of Maturity	Interest Rate %		
2002	4.375	\$ 20.0	\$ 20.0
2003	6.240	20.0	20.0
2005	6.330	20.0	20.0
2011	7.375	--	50.0
2023	7.250	50.0	50.0
2023	7.180-7.270	80.0	80.0
2028	6.300	150.0	--
		<hr/>	<hr/>
		340.0	240.0
Capital leases and other		28.4	31.5
		<hr/>	<hr/>
		368.4	271.5
Current maturities		(1.6)	(3.5)
		<hr/>	<hr/>
Total		\$ 366.8	\$ 268.0
		<hr/>	<hr/>

In October 1998, the Company and CBT filed a shelf registration with the Securities and Exchange Commission (SEC) for the sale of up to \$350 million in debt securities with terms to be determined at the time of sale. The proceeds will be used to repay debt and for general corporate purposes.

In November, CBT issued \$150 million of 6.3% debentures due 2028 and redeemed \$50 million of 7.375% notes due 2011. The early redemption of this debt resulted in an extraordinary non-cash charge of \$.6 million, which is net of a related tax benefit of \$.2 million.

8. STOCK-BASED COMPENSATION PLANS

During 1998 and in prior years, certain employees of the Company were granted stock options and other stock-based awards under the Company's Long-Term Incentive Plan (Company LTIP). Effective December 31, 1998, awards outstanding under the Company LTIP were modified such that, for each Company option or share award, the holder also received a Convergys option or share award pursuant to Convergys' Long-Term Incentive Plan (Convergys LTIP). These Convergys stock options or share awards have the same vesting provisions, option periods and other terms and conditions as the original Company options. Under the Company LTIP, options are granted with exercise prices that are no less than market value of the stock at the grant date. Generally, stock options have ten-year terms and vesting terms of three to four years. There were no Company stock appreciation rights granted or outstanding during the three-year period ended December 31, 1998.

The Company follows the disclosure-only provisions of SFAS 123, "Accounting for Stock-Based Compensation," but applies Accounting Principles Board Opinion 25 and related interpretations in accounting for its plans. If the Company had elected to recognize compensation cost for the issuance of the Company or Convergys options to employees based on the fair value at the grant dates for awards consistent with the method prescribed by SFAS 123, net income and earnings per share would have been impacted as follows:

Millions of dollars except per share amounts	Year ended December 31	1998	1997	1996
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Net income (loss):

As reported		\$149.9	\$ (16.4)	\$ 185.0
Pro forma compensation expense, net of tax benefits		(2.1)	(5.1)	(1.9)
Total pro forma		\$ 147.8	\$ (21.5)	\$ 183.1

Diluted earnings (loss) per share:

As reported		\$ 1.08	\$ (.12)	\$ 1.35
Pro forma		\$ 1.06	\$ (.16)	\$ 1.33

The pro forma effect on net income (loss) for all periods shown above is not representative of the pro forma effect on net income in future years because it does not take into consideration pro forma compensation expense related to grants made prior to 1995. Additionally, the pro forma disclosure for 1998 includes incremental compensation expense based on the difference in the fair value of the replacement options issued at the date of the distribution to employees who held Company options.

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The weighted average fair value on the date of grant for the Convergys options granted during 1998 was \$7.68. The weighted average fair values at the date of grant for the Company options granted to employees during 1998, 1997 and 1996 were \$8.73, \$9.64 and \$4.60, respectively. Such amounts were estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	1998	1997	1996	Convergys 1998
Expected dividend yield	1.4%	1.8%	3.5%	-
Expected volatility	25.0%	29.9%	29.2%	44.9%
Risk-free interest rate	5.7%	6.2%	5.5%	5.4%
Expected holding period -- years	4	4	4	4

Presented below is a summary of the status of outstanding Company stock options issued to employees, the issuance of Convergys options to Company option holders at the date of distribution, and related transactions:

Millions of dollars	Shares	Weighted Average Exercise Price
Company options held by employees at January 1, 1996	3,016	\$ 9.63
Granted	531	\$20.20
Exercised	(760)	\$9.45
Forfeited/expired	(269)	\$13.76
Company options held by employees at December 31, 1996	2,518	\$13.14
Granted	357	\$30.01
Exercised	(196)	\$10.08
Forfeited/expired	(15)	\$23.90
Company options held by employees at December 31, 1997	2,664	\$17.16
Granted	374	\$31.25
Exercised	(124)	\$12.02
Forfeited/expired	(80)	\$28.26
Company options held by employees at December 31, 1998	2,834	\$20.33
Total Company options outstanding at December 31, 1998, (including options held by Convergys employees)	7,284	\$20.33
Total Company options outstanding after re-pricing for Convergys spin-off at December 31, 1998, (including options held by Convergys employees)	7,284	\$8.73

The following table summarizes the status of Company stock options outstanding and exercisable at December 31, 1998:

Range of Exercise Prices	Shares	Options Outstanding		Options Exercisable	
		Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Weighted Average Exercise Price	Weighted Average Exercise Price
\$3.360 to \$4.999	2,674	4.34	\$4.02	2,675	\$4.01
\$5.228 to \$12.887	1,957	7.24	\$8.91	819	\$7.75
\$12.981 to \$16.125	2,653	8.62	\$13.27	356	\$13.53
Total	7,284	6.69	\$8.73	3,850	\$5.69

Restricted stock awards during 1998, 1997 and 1996 were 320,000 shares,

126,000 shares and 100,000 shares, respectively. The weighted average market value of the shares, on a pre-spin-off basis, on the grant date were \$32.59, \$29.48 and \$20.21, respectively. Restricted stock awards generally vest within one to five years.

On January 4, 1999, the Company announced stock option grants to each of its approximately 3,500 employees. According to the terms of this program, stock option grant recipients remaining with the Company until January 4, 2002, can exercise their options to purchase up to 500 common shares each. The exercise price for these options is \$16.75 per share, the average of the opening and closing prices for the Company's common stock on the date of the grant. This plan includes a provision for option grants to future employees, in smaller amounts and at an exercise price based on the month of hire. The terms of the program allow for cashless exercises. Grant recipients must exercise their options prior to January 4, 2009. The Company does not expect a significant amount of dilution as a result of this grant.

9. BUSINESS SEGMENT INFORMATION

In the fourth quarter of 1998, the Company adopted Statement of Financial Accounting Standard (SFAS) No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS 131 establishes a new framework for segment reporting and requires that externally reported segments be aligned in the same manner as is viewed by a company's "chief operating decision maker." The chief operating decision maker, or decision-making group, is the person (or persons) who decides on resource allocation among a company's operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group.

The Company evaluates performance based on several factors, of which the primary financial measure is business segment operating income. The Company generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties, i.e., at current market prices. The accounting policies of the business segments are the same as those described in Accounting Policies (see Note 1). Certain corporate

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administrative expenses have been allocated to segments based upon the nature of the expense.

The Company 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 and payphone services, as well as sales of communications equipment, in southwestern Ohio, northern Kentucky, and southeastern Indiana. Services are marketed and sold to both residential and business customers, and are delivered via the Company's Cincinnati Bell Telephone subsidiary.

The Directory Services segment sells directory advertising and information services primarily to business customers in the aforementioned area. This segment's identifiable product is the yellow pages directory delivered via the Company's Cincinnati Bell Directory subsidiary.

The Other Communications Services segment (i) resells 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) resells telecommunications and computer equipment in the secondary market. These services are provided through the Company's Cincinnati Bell Long Distance and Cincinnati Bell Supply subsidiaries, respectively.

The Company anticipates that its new digital wireless PCS business, Cincinnati Bell Wireless, will be reported as an operating segment in 1999. In 1998, total assets of \$212.1 million and capital additions of \$164.2 million, including acquisitions, are included in the segment financial information under the caption "Other Communications Services."

The Company has formed two new subsidiaries. ZoomTown.com Inc., formed in the first quarter of 1999, provides 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 1998, provides network integration and consulting services. Operating results from these services have been included in the Local Communications Services segment.

The Company's segment financial information is as follows:

Millions of dollars	Year ended December 31	1998	1997	1996
Revenues				
Local Communications Services	\$	718.4	\$ 670.1	\$ 650.8
Directory Services		72.9	72.9	72.6
Other Communications Services		106.1	101.7	81.8
Intersegment		(12.3)	(10.2)	(25.4)
Total	\$	885.1	\$ 834.5	\$ 779.8
Intersegment Revenues				
Local Communications Services	\$	6.8	\$ 6.0	\$ 22.3
Directory Services		.4	--	--
Other Communications Services		5.1	4.2	3.1
Total	\$	12.3	\$ 10.2	\$ 25.4
Operating Income				
Local Communications Services	\$	141.7	\$ 146.8	\$ 155.7
Directory Services		25.4	24.9	21.0
Other Communications Services		10.5	11.5	10.9
Corporate and Eliminations		2.4	8.2	(7.0)
Total	\$	180.0	\$ 191.4	\$ 180.6
Assets				
Local Communications Services	\$	749.5	\$ 706.4	\$ 1,005.5
Directory Services		28.4	30.6	26.7
Other Communications Services		247.3	32.6	24.6
Corporate and Eliminations		15.8	74.7	(5.1)
Total	\$	1,041.0	\$ 844.3	\$ 1,051.7
Capital Additions (including acquisitions)				
Local Communications Services	\$	140.2	\$ 141.1	\$ 101.4
Directory Services		--	--	.2
Other Communications Services		168.2	7.1	4.5
Corporate		.8	16.1	.2
Total	\$	309.2	\$ 164.3	\$ 106.3
Depreciation and Amortization				
Local Communications Services	\$	106.2	\$ 120.6	\$ 116.6
Directory Services		.1	--	--
Other Communications Services		3.7	3.3	4.0
Corporate		1.1	.4	.4
Total	\$	111.1	\$ 124.3	\$ 121.0

The Company derives significant revenues from AT&T and its affiliates primarily by providing network access services. Revenues from AT&T were 9%, 11% and 12% of the Company's consolidated revenues for 1998, 1997, and 1996, respectively.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate, where practicable, the fair value of each class of financial instruments:

Cash and cash equivalents, and short-term debt -- the carrying amount approximates fair value because of the short-term maturity of these instruments.

Long-term debt -- the fair value is estimated based on year-end closing market prices of the Company's debt and of similar liabilities. The carrying amounts at December 31, 1998, and

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1997 were \$340.0 million and \$240.0 million, respectively. The estimated fair values at December 31, 1998 and 1997, were \$355.1 million and \$250.8 million, respectively.

Interest rate risk management -- the Company is exposed to the impact of interest rate changes. The Company's objective is to manage the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. The Company continuously monitors the ratio of variable to fixed interest rate debt to maximize its total return. As of December 31, 1998, approximately 65% of debt was long-term, fixed-rate debt and approximately 35% was commercial paper and bank loans with variable interest rates and original maturities of less than one year.

11. COMMITMENTS AND CONTINGENCIES

LEASE COMMITMENTS

The Company leases certain facilities and equipment used in its operations. Total rental expenses were approximately \$11.7 million, \$10.5 million and \$9.3 million in 1998, 1997 and 1996, respectively.

At December 31, 1998, the total minimum annual rental commitments under noncancelable leases are as follows:

MILLIONS OF DOLLARS	OPERATING LEASES	CAPITAL LEASES
1999	\$13.6	\$ 4.6
2000	12.9	4.6
2001	11.6	4.6
2002	9.8	4.6
2003	6.0	4.7
Thereafter	27.7	40.9
Total	\$81.6	64.0
Amount representing interest		35.6
Present value of net minimum lease payments		28.4

The effects of a new operating lease for equipment associated with the Company's new high-bandwidth service offering are included in "total minimum annual rental commitments" above. This lease takes effect on January 1, 1999, and extends through 2002.

CONTINGENCIES

In the normal course of business, the Company is subject to various regulatory proceedings, lawsuits, claims, and other matters. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. However, the Company believes that the resolution of such matters for amounts above those reflected in the consolidated financial statements would not likely have a materially adverse effect on the Company's financial condition.

At December 31, 1998, the Company had approximately 3,500 employees. CBT had approximately 2,000 employees covered under collective bargaining agreements with the Communications Workers of America (CWA), which is affiliated with the AFL-CIO. This agreement expires in May 1999. Negotiations with representatives of the CWA are planned to begin in March 1999, and the outcome cannot be determined at this time.

12. SPECIAL CHARGES (CREDITS)

In 1995, the Company initiated a restructuring plan in response to a need for fewer employees. A restructuring liability was established to provide for the voluntary and involuntary separation of employees. Provisions were made for early retirements and more than 1,300 employees accepted the early retirement offer. The Company recorded charges of \$131.6 million, net of pension settlement gains, to reflect the cost of this plan. The charges included \$58.0 million for pension enhancements, \$54.0 million of curtailment losses for postretirement health care costs, \$7.0 million for lease terminations and \$4.0 million for vacation buyouts and severance pay. The remainder was for other costs. These charges reduced 1995 net income by approximately \$84.0 million.

The following table illustrates activity in this reserve since 1996:

MILLIONS OF DOLLARS	YEAR ENDED DECEMBER 31	1998	1997	1996

Restructure liability				
Remaining balance, beginning of year		\$5.3	\$8.7	\$15.2
Vacation/severance		.9	2.6	2.0
Real estate and lease		1.7	.6	1.2
Reversal of unneeded amounts		1.1	--	2.3
Other		--	.2	1.0
Transfer to Convergys at spin-off		1.1	--	--
		----	----	----
Remaining balance, end of year		\$.5	\$5.3	\$8.7
		----	----	----

Management believes that the remaining balance of \$.5 million at December 31, 1998, is adequate to complete the restructuring plan.

Since the establishment of the reserve, certain gains have been realized that have been reflected in income. These appear in the Consolidated Statements of Income and Comprehensive Income under the caption, "Special

charges (credits)." Associated amounts are as follows:

MILLIONS OF DOLLARS YEAR ENDED DECEMBER 31 1998 1997 1996

Special charges (credits)

Non-cash settlement gains	\$ --	\$(21.0)	\$(27.4)
Reversal of unneeded amounts	(1.1)	--	(2.3)
	----	-----	-----
Total	\$(1.1)	\$(21.0)	\$(29.7)
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13. CINCINNATI BELL TELEPHONE COMPANY

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

Income Statement

Millions of dollars	Year ended December 31	1998	1997	1996
Revenues		\$ 718.4	\$ 670.1	\$650.8
Costs and expenses		\$ 576.7	\$ 523.3	\$495.1
Income before extraordinary item		\$ 81.7	\$ 85.2	\$ 92.6
Net income (loss)		\$ 81.1	\$(124.8)	\$ 92.6

Balance Sheet

Millions of dollars	at December 31	1998	1997
Current assets		\$151.6	\$142.5
Telephone plant - net		580.8	550.6
Other noncurrent assets		17.1	13.3
		-----	-----
Total assets		\$749.5	\$706.4
		-----	-----
Current liabilities		\$144.2	\$214.0
Noncurrent liabilities		38.7	33.8
Long-term debt		317.1	218.4
Shareowner's equity		249.5	240.2
		-----	-----
Total liabilities and shareowner's equity		\$749.5	\$706.4
		-----	-----

Results for 1997 include an extraordinary, non-cash charge of \$2.2 million from the discontinuance of SFAS 71. The charge reduced net income \$210.0 million (see Note 4).

Results for 1997 and 1996 include \$21.0 million and \$28.5 million, respectively, for pension settlement gains from lump sum distributions to employees under the 1995 business restructuring. The settlement gains increased net income \$13.4 million and \$18.2 million, respectively.

Results for 1996 also include a reversal of \$2.5 million of accrued interest expense related to overearnings liabilities which increased net income by \$1.6 million.

14. ADDITIONAL FINANCIAL INFORMATION

Income Statement

Millions of dollars	Year ended December 31	1998	1997	1996
Interest expense:				
Long-term debt		\$20.8	\$23.2	\$23.7
Short-term debt		4.9	6.1	5.7
Other		(1.5)	.8	(1.5)
Total		\$24.2	\$ 30.1	\$ 27.9

Balance Sheet

Millions of dollars	at December 31	1998	1997
Property, plant and equipment, net:			
Telephone plant		\$ 1,739.1	\$ 1,633.7
Accumulated depreciation		(1,158.3)	(1,083.1)
Net telephone plant		580.8	550.6
Other property and equipment		134.0	37.1
Accumulated depreciation		(16.6)	(14.5)
Total		\$ 698.2	\$ 573.2
Goodwill and other Intangibles:			
Goodwill and other intangibles - gross		\$ 108.9	\$ 23.0
Accumulated amortization		(5.6)	(5.6)
Total		\$ 103.3	\$ 17.4
Payables and other current liabilities:			
Accounts payable		\$ 57.9	\$ 75.4
Accrued payroll and benefits		33.9	33.0
Accrued taxes		40.6	35.1
Advance billing and customers' deposits		26.8	25.9
Other current liabilities		59.9	17.4
Total		\$ 219.1	\$ 186.8
Accumulated other comprehensive income (loss):			
Currency translation adjustment		\$ --	\$ (3.9)
Additional minimum pension liability		(6.7)	(4.2)
Total		\$ (6.7)	\$ (8.1)

Statement of Cash Flows

Millions of dollars	Year ended December 31	1998	1997	1996
<hr/>				
Cash paid for:				
Interest (net of amount capitalized)		\$26.8	\$29.6	\$31.3
Income taxes (net of refunds)		\$81.4	\$82.8	\$55.6

15. COMMON AND PREFERRED SHARES

COMMON SHARES

Par value of the common shares is \$1 per share. At December 31, 1998 and 1997, common shares outstanding were 136.4 million and 136.1 million, respectively.

COMMON SHARE PURCHASE RIGHTS PLAN

In the first quarter of 1997, the Company's Board of Directors adopted a Share Purchase Rights Plan by granting a dividend of one preferred share purchase right for each outstanding common share to shareowners of record at the close of business on May 2, 1997. Under certain conditions, each right entitles the holder to purchase one-hundredth of a Series A Preferred Share. The rights cannot be exercised or transferred apart from

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common shares, unless a person or group acquires 15% or more of the Company's outstanding common shares. The rights will expire May 2, 2007, if they have not been redeemed.

PREFERRED SHARES

The Company is authorized to issue up to 4 million voting preferred shares and 1 million nonvoting preferred shares.

EARNINGS PER SHARE

Basic earnings per share is based upon the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution that would occur if common stock equivalents were exercised. The following table is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for income from continuing operations, before extraordinary items, for the following periods:

Millions of dollars
except per share
amounts

Year ended December 31	1998	1997	1996
<hr/>			
Basic earnings per share:			
Income from continuing operations	\$ 81.8	\$102.3	\$ 99.5
Weighted average common shares outstanding (in millions)	136.0	135.2	133.9
Earnings per share from continuing operations	\$.60	\$.76	\$.74
Fully diluted earnings per share:			
Income from continuing operations	\$ 81.8	\$102.3	\$ 99.5
Effect of dilutive securities:			
Weighted average common shares outstanding (in millions)	136.0	135.2	133.9
Stock options (in millions)	1.7	1.9	2.7
Stock-based compensation arrangements (in millions)	.5	.6	.6
	<hr/>	<hr/>	<hr/>
Weighted average common shares outstanding, fully diluted (in millions)	138.2	137.7	137.2
Fully diluted earnings per share from continuing operations	\$.59	\$.74	\$.73

Options to purchase 1,360,077 weighted average shares of common stock at an average of \$30.19 per share were outstanding during the year ended December 31, 1997, but were not included in the computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares for the year.

16. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

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