Before the
TENNESSEE REGULATORY AUTHORITY

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EXECUTIVE SECRETARY

Joint Application for Approval of a Transfer of Control of Eclipse Telecommunications, Inc. and IXC Communications Services, Inc. to Cincinnati Bell Inc.	)))))	Docket No. 99-00557

JOINT APPLICATION

Cincinnati Bell Inc. ("CBI"), Eclipse Telecommunications, Inc. ("Eclipse"), and IXC Communications Services, Inc. ("IXC-CSI") (referred to jointly as the "Parties"), by their attorneys, hereby request approval from the Tennessee Regulatory Authority ("Regulatory Authority"), pursuant to Tennessee Code Annotated §65-4-112, for the transfer of control of Eclipse and IXC-CSI to CBI. Eclipse and IXC-CSI both hold Certificates of Convenience and Necessity to provide telecommunications services in Tennessee.

As set forth in greater detail below, CBI has entered into an agreement with IXC Communications, Inc. ("IXC"), the ultimate corporate parent of Eclipse and IXC-CSI, whereby IXC will be acquired by CBI in a merger transaction and will become a structurally separate, wholly-owned subsidiary of CBI. After the acquisition, both Eclipse and IXC-CSI will continue to operate under their own authorizations, and will continue to provide telecommunications services to current customers under existing service arrangements.

The Parties respectfully request approval of this transaction as soon as practicable, so that the proposed transaction may be completed by November 30, 1999. A complete description of the transaction is included below.

1. THE PARTIES

a. Cincinnati Bell Inc.

CBI, an Ohio corporation, is a diversified telecommunications services holding company. CBI's subsidiaries offer varied products and services such as local and long distance telecommunications services; directory services; data networking and transport; Internet access; digital wireless PCS; and e-commerce services. One of CBI's subsidiaries, Cincinnati Bell Long Distance Inc. ("CBLD"), currently operates as a reseller of intrastate interexchange services in Tennessee. CBLD received its authority to provide telecommunications services in Tennessee on October 11, 1995, in Case No.95-03212.

CBI is financially well qualified to consummate the proposed acquisition of IXC. Current financial information for CBI is attached hereto as Exhibit "A." In addition, in connection with the proposed business combination, Oak Hill Capital Partners, L.P., an investment partnership founded by Robert M. Bass, is purchasing $400 million of CBI 6.75% convertible subordinated notes due 2009.

b. Eclipse Telecommunications, Inc.

Eclipse, a Delaware corporation, maintains its headquarters at 1122 Capital of Texas Highway South, Austin, Texas 78746-6426. Eclipse is a wholly owned subsidiary of IXC Communications Services, Inc. ("IXC-CSI"). IXC-CSI, in turn, is a wholly owned subsidiary of IXC Communications, Inc. ("IXC"), whose stock is publicly traded on the NASDAQ Stock Market. Eclipse currently operates as a reseller of intrastate interexchange services in forty-eight states, including Tennessee. Eclipse received its authority to provide telecommunications services in Tennessee on August 2, 1995, in Case No. 95-02659, under the name Network Long

Distance, Inc.[1] As the Regulatory Authority was previously notified, Network's name was later changed to Eclipse. Eclipse also provides interstate and international telecommunications services pursuant to authority of the Federal Communications Commission ("FCC"). Information concerning Eclipse's legal, technical, managerial and financial qualifications to provide telecommunications services was filed with Eclipse's application for certification, filed with the Regulatory Authority in Case No. 95-02659, and is incorporated herein by reference. Current financial information for IXC, the ultimate parent corporation of Eclipse, is attached hereto as Exhibit "B."

c. **IXC Communications Services, Inc.**

IXC-CSI, a Delaware corporation, maintains its headquarters at 1122 Capital of Texas Highway South, Austin, Texas 78746. IXC-CSI is a wholly owned subsidiary of IXC. IXC-CSI currently provides intrastate interexchange services in forty-eight states, including Tennessee. IXC-CSI received its authority to provide telecommunications services in Tennessee on October 13, 1995, in Case No. 95-03221, under the name IXC Long Distance, Inc. ("IXC-LD"). As the Regulatory Authority was previously notified, IXC-LD's name was later changed to IXC-CSI. IXC-CSI also provides interstate and international telecommunications services pursuant to authority of the FCC. Information concerning IXC-CSI's legal, technical, managerial and financial qualifications to provide telecommunications services was filed with its application for certification, filed with the Regulatory Authority in Case No. 95-03221, and is

[1] At its July 13, 1999 meeting, the Regulatory Authority approved the transfer of control of Telecom One, Inc. to Eclipse in Docket No. 99-00456. The Regulatory Authority will be notified when that merger has been completed.

incorporated herein by reference. Current financial information for IXC, IXC-CSI's parent corporation, is attached hereto as Exhibit "B."

2. DESIGNATED CONTACTS

The designated contacts for questions concerning the application are:

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

The Parties seek authority to transfer control of Eclipse and IXC-CSI to CBI. On July 20, 1999, CBI, Ivory Merger Inc. (a wholly owned subsidiary of CBI) and IXC executed an Agreement and Plan of Merger ("Agreement") pursuant to which IXC, the ultimate parent corporation of Eclipse and IXC-CSI, will become a wholly owned subsidiary of CBI after requisite regulatory approvals have been obtained.[2] The proposed transaction is also subject to

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

the approval of the shareholders of IXC, the approval of the shareholders of CBI with respect to the shares of CBI common stock issuable in the merger to IXC shareholders, and certain other customary conditions..

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

The transfer of control of Eclipse and IXC-CSI to CBI will be made in a seamless fashion that will not adversely affect the provision of telecommunications services in Tennessee. Following consummation of the merger, Eclipse and IXC-CSI will continue to be wholly owned subsidiaries of IXC. The day-to-day operations of Eclipse and IXC-CSI will not be affected adversely by the merger. Eclipse and IXC-CSI will continue to operate and will remain the holders of their authorizations. Eclipse's and IXC-CSI's current customers will not be affected adversely by the proposed acquisition. Eclipse and IXC-CSI will continue respectively to provide services to customers under existing service arrangements.

4. PUBLIC INTEREST ANALYSIS

The transfer of control described above is clearly in the public interest. The proposed transaction will bring together CBI and IXC to create a strong company with a national presence, whose operating subsidiaries will be well positioned to provide customers with the most technologically advanced and competitive services in the rapidly evolving telecommunications industry.

Combining the resources and expertise of CBI and IXC will result in a financially stronger parent company for IXC-CSI and Eclipse, enabling them to strengthen their competitive positions in the interexchange marketplace in Tennessee and elsewhere. The transaction will also combine the complementary management skills, background and experience of CBI and IXC, allowing Eclipse and IXC-CSI to capitalize and build on the diverse expertise of their new parent corporation. In sum, the proposed transfer of control will benefit the public interest by enhancing the ability of IXC-CSI and Eclipse to offer a full range of competitively priced services in the interexchange marketplace, thereby further invigorating competition in Tennessee.

Verifications of the Parties are attached hereto as Exhibit "D."

CONCLUSION

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

Respectfully submitted,

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and IXC Communications Services, Inc.

August 3, 1999

EXHIBIT A

FINANCIAL INFORMATION

CINCINNATI BELL INC.

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the fiscal year ended **December 31, 1998**

OR

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

For the transition period from _____ to _____

Commission file number 1-8519

CINCINNATI BELL INC.

An Ohio Corporation — I.R.S. Employer No. 31-1056105

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

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

Title of each class	Name of each exchange on which registered
Common Shares (par value $1.00 per share)	New York Stock Exchange
Preferred Share Purchase Rights	Cincinnati Stock Exchange

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No

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

DOCUMENTS INCORPORATED BY REFERENCE

(1) Portions of the registrant's annual report to security holders for the fiscal year ended December 31, 1998 (Parts I, II and IV)

(2) Portions of the registrant's definitive proxy statement dated March 24, 1999 issued in connection with the annual meeting of shareholders (Part III)

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Yes X No

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

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

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 SAFE HARBOR CAUTIONARY STATEMENT

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

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

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

PART I

ITEM I. BUSINESS

GENERAL

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

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

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

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

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

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

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

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

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

STRATEGY

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

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

LOCAL COMMUNICATIONS SERVICES

Cincinnati Bell Telephone Company

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

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

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

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

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

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

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

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

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

Regulation

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

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

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

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

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

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

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

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

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

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

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

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

DIRECTORY SERVICES

Cincinnati Bell Directory Inc.

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

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

OTHER COMMUNICATIONS SERVICES

Cincinnati Bell Long Distance Inc.

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

Cincinnati Bell Supply Company

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

Cincinnati Bell Wireless Company

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

formation. The Company's required funding of the losses was $27.3 million from February through December 31, 1998.

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

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

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

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

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

COMPETITION

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

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

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

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

YEAR 2000

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

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

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

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

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

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

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

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

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

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

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

CAPITAL ADDITIONS

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

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

Dollars in Millions

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

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

Capital additions for 1999, including software required to be

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

EMPLOYEES

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

BUSINESS SEGMENT INFORMATION

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

ITEM 2. PROPERTIES

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

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

Telephone Plant	
Land, buildings and leasehold improvement	$ 196.4
Central office equipment	720.9
Connecting lines (not on customer premises)	689.3
Station equipment	32.0
Furniture, fixtures, vehicles and other	88.0
Telephone plant under construction	12.5
Total telephone plant	1,739.1
Other Property	
Other subsidiaries	134.0
Total other property	134.0
Total	$ 1,873.1

Substantially all of the central office switching stations are located

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

ITEM 3. LEGAL PROCEEDINGS

None.

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

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

EXECUTIVE OFFICERS OF THE REGISTRANT (DURING 1998)

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

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

(a) Member of the Board of Directors

(b) Member of the Executive Committee

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

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

(d) Effective February 28, 1999, Mr. LaMacchia resigned as President and Chief Executive Officer of the Company but will continue to serve as a Director of the Company.

(e) Effective September 1, 1998, Mr. Ellenberger became Chief Operating Officer of the Company and, effective March 1, 1999, upon Mr. LaMacchia's resignation, Mr. Ellenberger became President and Chief Executive Officer of the Company.

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

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

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

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

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

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

Telecommunications, 1992-1993; Chief Operating Officer of Entrade Corporation, 1990-1992.

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

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

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

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

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

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

PART II

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

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

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

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

ITEMS 6 THROUGH 8.

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

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

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

PART III

ITEMS 10 THROUGH 13.

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

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

PART IV

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

(a) Documents filed as part of this report:

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

Consolidated Statements of Common Shareowners' Equity *

Notes to Financial Statements *

(2) Financial Statement Schedules:

Report of Independent Accountants on Financial Statement Schedule 23

II - Valuation and Qualifying Accounts 24

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

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

(3) Exhibits

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

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

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

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

(10)(iii)(A)(4)(i)*	Executive Employment Agreement dated December 1, 1987, between the Company and John T. LaMacchia. (Exhibit (10)(iii)(A)(10) to Form 10-K for 1987, File No. 1-8519).
10(iii)(A)(4)(ii)*	Employment Agreement dated January 1, 1999 between the Company and John T. LaMacchia.
(10)(iii)(A)(5)(i)*	Employment Agreement dated October 1, 1995, between Cincinnati Bell Information Systems Inc. and Robert J. Marino. (Exhibit (10)(iii)(A)(7) to Form 10-K for 1996, File No. 1-8519).

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

(10)(iii)(A)(13)*	Cincinnati Bell Inc. Executive Deferred Compensation Plan, as amended and restated effective October 25, 1998.
(10)(iii)(A)(14)*	Cincinnati Bell Inc. 1997 Long Term Incentive Plan. (Exhibit (10)(iii)(A)(14)(iii) to Form 10-K for 1997, file No. 1-8519).
(10)(iii)(A)(15)*	Cincinnati Bell Inc. 1997 Stock Option Plan for

	Non-Employee Directors, as revised and restated effective February 1, 1999.
(10)(iii)(A)(16)*	Cincinnati Bell Inc. 1989 Stock Option Plan. (Exhibit (10)(iii)(A)(14) to Form 10-K for 1989, File No. 1-8519).
(10)(iii)(A)(17)(i)*	MATRIXX Marketing Inc. Executive Deferred Compensation Plan. (Exhibit (10)(iii)(A)(21) to Form 10-K for 1996, File No. 1-8519).
(10(iii)(A)(17)(ii)*	Amendment to MATRIXX Marketing Inc. Executive Deferred Compensation Plan (effective May 1, 1994). (Exhibit (10)(iii)(A)(21)(i) to Form 10-K for 1996, File No. 1-8519).
(10)(iii)(A)(17)(iii)*	Amendment to MATRIXX Marketing Inc. Executive Deferred Compensation Plan (effective May 4, 1996). (Exhibit (10)(iii)(A)(21)(ii) to Form 10-K for 1996, File No. 1-8519).
(12)	Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Dividends.
(13)	Portions of the Cincinnati Bell Inc. annual report to security holders for the fiscal year ended December 31, 1998, as incorporated by reference including the Selected Financial Data, Report of Management, Report of Independent Accountants, Management's Discussion and Analysis and Consolidated Financial Statements.
(21)	Subsidiaries of the Registrant.
(23)	Consent of Independent Accountants.
(24)	Powers of Attorney.
(27.1, 27.2, 27.3)	Financial Data Schedules.

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

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

(b) Reports on Form 8-K.

(1) Form 8-K, date of report October 13, 1998, concerning certain information about the Company and Cincinnati Bell Telephone Company.

(2) Form 8-K, date of report November 19, 1998, reporting matters related to the Convergys Spin-Off and Mr. Ellenberger's election as a director of the Company.

(3) Form 8-K, date of report November 30, 1998, reporting that Cincinnati Bell Telephone Company consummated the sale of $150,000,000 of its Guaranteed 6.30% Debentures due 2028.

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

SIGNATURES

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

CINCINNATI BELL INC.

March 29, 1999

By: /s/ Kevin W. Mooney
Kevin W. Mooney
Chief Financial Officer

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

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

Mary D. Nelson

DAVID B. SHARROCK* Director

David B. Sharrock

*By: /s/ Kevin W. Mooney March 29, 1999

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

REPORT OF INDEPENDENT ACCOUNTS

To the Shareowners of
Cincinnati Bell Inc.

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

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

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Cincinnati, Ohio
March 29, 1999

Schedule II

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

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

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

(b) Primarily includes amounts written off as uncollectible.

		Additions			
Reserves Related to 1995 Business Restructuring	Balance at Beginning of Period	(1) Charged to Expenses	(2) Charged to Other Accounts	Deductions	Balance at End of Period
Year 1998	$ 5.3	$ --	$ --	$ 4.8	$ .5
Year 1997	$ 8.7	$ --	$ --	$ 3.4	$ 5.3
Year 1996	$15,2	$ --	$ --	$ 6.5	$ 8.7

CINCINNATI BELL INC.

and

THE FIFTH THIRD BANK

Rights Agent

RIGHTS AGREEMENT

Dated as of April 29, 1997

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RIGHTS AGREEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Day period."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) "Principal Party" shall mean

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

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

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

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

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

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

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

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

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

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

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

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

Section 14. FRACTIONAL RIGHTS AND FRACTIONAL SHARES.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 29. DETERMINATIONS AND ACTIONS BY THE BOARD OF DIRECTORS, ETC. (a) For all purposes of this Agreement, any calculation of the number of Common Shares outstanding at any

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

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

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

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

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

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

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

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

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

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

Attest:

CINCINNATI BELL INC.

/s/ William H. Zimmer
By ----------
William H. Zimmer
Secretary

/s/ John T. LaMacchia

John T. LaMacchia
President and Chief Executive Officer

Attest:

THE FIFTH THIRD BANK

By ----------

Name ----------

/s/ Dana S. Hushak

Dana S. Hushak
Vice President and Trust Officer

Title

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

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EXHIBIT A

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

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

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

> RESOLVED FURTHER, that the first paragraph of Article Fourth, Section 9, of the Corporation's Amended Articles of Incorporation be amended and restated to increase the number of authorized shares of the series from 250,000 to 2,000,000 and to read as follows:
>
> Of the 4,000,000 Voting Preferred Shares of the corporation, 2,000,000 shall constitute a series of Voting Preferred Shares designated as Series A Preferred Shares (the "Series A Preferred Shares") and have, subject and in addition to the other provisions of this Article Fourth, the following relative rights, preferences and limitations:

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

/s/ Brian C. Henry

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

/s/ William H. Zimmer III

William H. Zimmer III, Secretary

Exhibit B Form of Right Certificate

EXHIBIT B

{FORM OF RIGHTS CERTIFICATE}

Certificate No. R- _____ _____Rights

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

Rights Certificate

CINCINNATI BELL INC.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dated as of _____, _____.

ATTEST: CINCINNATI BELL INC.

_____ By:_____
Secretary

Title:_____

Countersigned:
THE FIFTH THIRD BANK, Rights Agent

By:_____
Authorized Signature

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{FORM OF REVERSE SIDE OF RIGHTS CERTIFICATE}

FORM OF ASSIGNMENT

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

FOR VALUE RECEIVED _____ hereby sells, assigns and

transfers unto _____
(Please print name and address of transferee)

_____

_____

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

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

Dated: _____, _____

_____
Signature

Signature Guaranteed:_____

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CERTIFICATE

The undersigned hereby certifies by checking the appropriate boxes that:

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

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

Dated: _____, _____ _____
Signature

Signature Guaranteed:_____

NOTICE

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

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FORM OF ELECTION TO PURCHASE

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

To: CINCINNATI BELL INC.

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

Please insert social security or other identifying number:_____

_____
(Please print name and address)

_____

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

Please insert social security or other identifying number: _____

_____

(Please print name and address)

_____

Dated: _____, _____

_____

Signature

Signature Guaranteed:_____

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CERTIFICATE

The undersigned hereby certifies by checking the appropriate boxes that:

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

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

Dated: _____, _____

_____

Signature

Signature Guaranteed: _____

NOTICE

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

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Exhibit C Summary of Rights to Purchase Preferred Shares

EXHIBIT C

SUMMARY OF RIGHTS TO PURCHASE PREFERRED SHARES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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PLAN OF REORGANIZATION AND DISTRIBUTION AGREEMENT

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

PRELIMINARY STATEMENT

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

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

The parties hereto have determined that it is necessary and

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

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

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

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

ARTICLE 1
THE TRANSFER

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

(a) All of the issued and outstanding shares of CBIS and MATRIXX;

(b) Any and all assets that are expressly contemplated by this Agreement or any other agreement or document contemplated by this Agreement (or any Schedule hereto or thereto) as assets to be transferred to CONVERGYS; and

(c) All assets reflected in the CONVERGYS balance sheet dated March 31, 1998 as assets of CONVERGYS, subject to any dispositions of such assets subsequent to the date of such balance sheet.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.8 DISCLAIMER OF REPRESENTATIONS AND WARRANTIES.

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

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

ARTICLE 2
REPRESENTATIONS AND WARRANTIES OF CBI

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

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

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

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

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF CONVERGYS

CONVERGYS represents and warrants to CBI as follows:

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

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

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

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

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

ARTICLE 4
COVENANTS OF CBI

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

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

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

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

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

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

ARTICLE 5
COVENANTS OF CONVERGYS

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

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

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

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

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

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

ARTICLE 6
INTER-COMPANY LENDING

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

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

ARTICLE 7

CONTINGENT GAINS AND CONTINGENT LIABILITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7.2 CONTINGENT GAINS.

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

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

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

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

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

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

7.4 SHARED CONTINGENT LIABILITIES.

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

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

7.5 PAYMENTS.

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

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

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

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

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

the parties as to whether:

(i) any claim or right is a Contingent Gain;

(ii) any Contingent Gain is a Shared Contingent Gain, an Exclusive CBI Contingent Gain or an Exclusive CONVERGYS Contingent Gain;

(iii) any liability is a Contingent Liability; or

(iv) any Contingent Liability is a Shared Contingent Liability, an Exclusive CBI Contingent Liability, or an Exclusive CONVERGYS Contingent Liability.

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

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

ARTICLE 8
THE IPO AND ACTIONS PENDING THE IPO

8.1 Transactions Prior to the IPO.

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

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

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

reasonably satisfactory to CONVERGYS, CBI, CBIS and MATRIXX and shall comply with their respective obligations thereunder.

(d) CBI and CONVERGYS shall consult with each other and the Underwriters regarding the timing, pricing and other material matters with respect to the IPO.

(e) CONVERGYS shall use its reasonable best efforts to take all such action as may be necessary or appropriate under state securities and blue sky laws of the United States (and any comparable laws under any foreign jurisdictions) in connection with the IPO.

(f) CONVERGYS shall prepare, file and use its reasonable best efforts to seek to make effective an application for listing of the Common Shares issued in the IPO on the New York Stock Exchange, subject to official notice of issuance.

(g) CONVERGYS shall participate in the preparation of materials and presentations as the Underwriters shall deem necessary or desirable.

(h) CONVERGYS shall pay all third party costs, fees and expenses relating to the IPO, all of the reimbursable expenses of the Underwriters pursuant to the Underwriting Agreement, all of the costs of producing, printing, mailing and otherwise distributing the Prospectus, as well as the Underwriters' discount as provided in the Underwriting Agreement.

8.2 CONDITIONS PRECEDENT TO CONSUMMATION OF THE IPO. As soon as practicable after the date of this Agreement, the parties hereto shall use their reasonable best efforts to satisfy the following conditions to the consummation of the IPO. The obligations of the parties to consummate the IPO shall be conditioned on the satisfaction, or waiver by CBI, of the following conditions:

(a) The IPO registration statement shall have been declared effective by the Commission, and there shall be no stop-order in effect with respect thereto.

(b) The actions and filings with regard to state securities and blue sky laws of the United States (and any comparable laws under any foreign jurisdictions) described in Section 8.1 shall have been taken and, where applicable, have become effective or been accepted.

(c) The Common Shares to be issued in the IPO shall have been accepted for listing on the New York Stock Exchange, on official notice of issuance.

(d) CONVERGYS, CBI, CBIS and MATRIXX shall have entered into the Underwriting Agreement and all conditions to the obligations of CONVERGYS, CBI, CBIS and MATRIXX and the Underwriters shall have been satisfied or waived.

(e) CBI shall be satisfied in its sole discretion that it will own at least 80.0% of the outstanding CONVERGYS voting stock following the IPO, and

all other conditions to permit the Distribution (to qualify as a tax free distribution to CBI's shareholders) shall, to the extent applicable as of the time of the IPO, be satisfied, and there shall be no event or condition that is likely to cause any of such conditions not to be satisfied as of the time of the Distribution or thereafter.

(f) No order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the IPO or the Distribution or any of the other transactions contemplated by this Agreement or any Ancillary Agreement shall be in effect.

(g) Such other actions as the parties hereto may, based upon the advice of counsel, reasonably request to be taken prior to the Separation in order to assure the successful completion of the IPO and the Distribution and the other transactions contemplated by this Agreement shall have been taken.

(h) This Agreement shall not have been terminated.

(i) A pricing committee of CONVERGYS directors designated by the Board of Directors of CONVERGYS shall have determined that the terms of the IPO are acceptable to CONVERGYS.

ARTICLE 9
THE DISTRIBUTION

9.1 THE DISTRIBUTION.

(a) Subject to the conditions specified in Section 9.3 hereof, on or prior to the Distribution Date, CBI will deliver to an agent designated by its Board of Directors ("the Agent") for the benefit of holders of record of CBI common shares on the Record Date, a single

stock certificate, endorsed by CBI in blank, representing all of the outstanding shares of CONVERGYS then owned by CBI, and shall cause the transfer agent for the shares of CBI common shares to instruct the Agent to distribute on the Distribution Date such number of CONVERGYS Common Share to each such holder or designated transferee or transferees of such holder for each CBI common share then held by each such holder or designated transferee or transferees as determined by the CBI Board of Directors.

(b) CONVERGYS and CBI, as the case may be, will provide to the Agent all share certificates and any information required in order to complete the Distribution on the basis specified above.

9.2 ACTIONS PRIOR TO THE DISTRIBUTION.

(a) CBI and CONVERGYS shall prepare and mail, prior to the Distribution Date, to the holders of CBI common shares, such information concerning CONVERGYS, its business, operations and management, the Distribution and such other matters as CBI shall reasonably determine and as may be required by law. CBI and CONVERGYS will prepare, and CONVERGYS will, to the extent required under applicable law, file with the Commission any such documentation and any requisite no-action letters which CBI determines are necessary or desirable to effectuate the Distribution and CBI and CONVERGYS shall each use its reasonable best efforts to obtain all necessary approvals from the Commission with respect thereto as soon as practicable.

(b) CBI and CONVERGYS shall take all such action as may be

necessary or appropriate under the securities or blue sky laws of the United States (and any comparable laws under any foreign jurisdiction) in connection with the Distribution.

(c) CBI and CONVERGYS shall take all reasonable steps necessary and appropriate to cause the conditions set forth in Section 9.3(d) to be satisfied and to effect the Distribution on the Distribution Date.

(d) CONVERGYS shall prepare and file, and shall use its reasonable best efforts to have approved, an application for the listing of the Common Shares to be distributed in the Distribution on the New York Stock Exchange, subject to official notice of distribution.

9.3 CONDITIONS TO DISTRIBUTION. Subject to any restrictions contained in the Underwriting Agreement, the CBI Board shall have the sole discretion to determine the date of consummation of the Distribution at any time after the Closing Date and on or prior to the date that is six months after the Closing Date. CBI shall be obligated to consummate the Distribution no later than the date that is six months after the Closing Date, subject to the satisfaction, or waiver by the CBI Board, in its sole discretion, of the conditions set forth below. In the event that any such condition shall not have been satisfied or waived on or before the date that is six months after the Closing Date, CBI shall consummate the Distribution as promptly as practicable following the satisfaction or waiver of all such conditions:

(a) a private letter ruling from the Internal Revenue Service shall have been obtained and shall continue in effect, to the effect that, among other things, the Distribution will qualify as a tax free distribution for federal income tax purposes under Section 355 of the Code and will not result in the recognition of any gain to CBI or CBI's shareholders, and such ruling shall be in form and substance satisfactory to CBI in its sole discretion;

(b) any material governmental approvals and consents necessary to consummate the Distribution shall have been obtained and be in full force and effect;

(c) no order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Distribution shall be in effect and no other event outside the control of CBI shall have occurred or failed to occur that prevents the consummation of the Distribution; and

(d) no other event or developments shall have occurred subsequent to the date hereof that, in the judgment of the Board of Directors of CBI, would result in the Distribution having a material adverse effect on CBI or on the shareholders of CBI.

(e) Each of CBI and CONVERGYS shall have received such consents, and shall have received executed copies of such agreements or amendments of agreements, as they shall deem necessary in connection with the completion of the transactions contemplated by this Agreement or any other agreement or document contemplated by this Agreement or otherwise.

(f) All action and other documents and instruments deemed

necessary or advisable in connection with the transactions contemplated hereby shall have been taken or executed, as the case may be, in form and substance satisfactory to CBI and CONVERGYS.

The foregoing conditions are for the sole benefit of CBI and shall not give rise to or create any duty on the part of CBI or the CBI Board of Directors to waive or not waive any such condition.

9.4 FRACTIONAL SHARES. As soon as practicable after the Distribution Date, CBI shall direct the Agent to determine the number of whole shares and fractional shares of Common Shares allocable to each holder of record or beneficial owner of CBI common shares as of the Record Date, to aggregate all such fractional shares and sell the whole shares obtained thereby at the direction of CBI in open market transactions or otherwise, in each case at then prevailing trading prices, and to cause to be distributed to each such holder or for the benefit of each such beneficial owner, in lieu of any fractional share, such holder's or owner's ratable share of the proceeds of such sale, after making appropriate deductions of any amount required to be withheld for federal income tax purposes and after deducting an amount equal to all brokerage charges, commissions and transfer taxes attributed to such sale. CBI and the Agent shall use their reasonable best efforts to aggregate the CBI common shares that may be held by any beneficial owner thereof through more than one account in determining the fractional share allocable to such beneficial owner.

ARTICLE 10
MUTUAL RELEASES; INDEMNIFICATIONS

10.1 RELEASE OF PRE-CLOSING CLAIMS.

(a) Except as provided in Section 10.1(c), effective as of the Closing Date, CONVERGYS does hereby, for itself and each of its Affiliates, successors and assigns, and all persons who at any time prior to the Closing Date have been shareholders, directors, officers, agents or employees of CONVERGYS (in each case, in their respective capacities as such), remise, release and forever discharge each of CBI and its Affiliates, successors and assigns, and all persons who at any time prior to the Closing Date have been shareholders, directors, officers, agents or employees of CBI (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from any and all liabilities

whatsoever, whether at law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Closing Date, including in connection with the transactions and all other activities to implement any of the Separation, the IPO and the Distribution.

(b) Except as provided in Section 10.1(c), effective as of the Closing Date, CBI does hereby, for itself and its Affiliates, successors and assigns, and all persons who at any time prior to the Closing Date have been shareholders, directors, officers, agents or employees of CBI (in each case, in their respective capacities as such), remise, release and forever discharge CONVERGYS, and its Affiliates, successors and assigns, and all persons who at any time prior to the Closing Date have been shareholders, directors, officers, agents or employees of CONVERGYS (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from any and all liabilities whatsoever, whether at law or in equity (including any right of contribution), whether arising under any contract or

agreement, by operation of law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Closing Date, including in connection with the transactions and all other activities to implement any of the Separation, the IPO and the Distribution.

(c) Nothing contained in Section 10.1(a) or (b) shall impair any right of any Person to enforce this Agreement, any Ancillary Agreement or any agreements, arrangements, commitments or understandings that are specified herein or in the Schedules and Exhibits hereto not to terminate as of the Closing Date, in each case in accordance with its terms. Nothing contained in Section 10.1(a) or (b) shall release any Person from:

(i) any liability provided in or resulting from any agreement between CBI and CONVERGYS that is specified herein or the Ancillary Agreements hereto specified as not to terminate as of the Closing Date, or any other liability specified as not to terminate as of the Closing Date;

(ii) any liability, contingent or otherwise, assumed, transferred, assigned or allocated to such person;

(iii) any liability that the parties may have with respect to indemnification or contribution pursuant to this Agreement for claims brought against the parties by third persons, which liability shall be governed by this Article 10 and, if applicable, the appropriate provisions of the Ancillary Agreements.

(d) CONVERGYS shall not make any claim or demand, or commence any action asserting any claim or demand, including any claim of contribution or any indemnification, against CBI, or any other Person released pursuant to Section 10.1(a), with respect to any liabilities released pursuant to Section 10.1(a). CBI shall not make any claim or demand, or commence any action asserting any claim or demand, including any claim of contribution or any indemnification, against CONVERGYS or any other Person released pursuant to Section 10.1(b), with respect to any liabilities released pursuant to Section 10.1(b).

(e) It is the intent of each of CBI and CONVERGYS by virtue of the provisions of this Section 10.1 to provide for a full and complete release and discharge of all liabilities existing or arising from all acts and events occurring or failing to occur or alleged to have occurred or to have failed to occur and all conditions existing or alleged to have existed on or before the Closing Date, between or among CONVERGYS and its Affiliates on the one hand, and CBI and its Affiliates on the other hand (including any contractual agreements or arrangements existing or alleged to exist between or among any such Persons on or before the Closing Date), except as expressly set forth in Section 10.1(c). At any time, at the request of any other party, each party shall execute and deliver releases reflecting the provisions hereof.

10.2 INDEMNIFICATION BY CONVERGYS. Except as provided in Section 10.4, CONVERGYS shall indemnify, defend and hold harmless CBI, and each of its directors, officers and employees, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "CBI Indemnitees"), from and against any and all liabilities of the CBI Indemnitees relating to, arising out of or resulting from any of the following items:

(a) the failure of CONVERGYS or any other person to pay, perform or otherwise promptly discharge any CONVERGYS Liabilities, whether prior to or after the Closing Date or the date hereof;

(b) the business of CONVERGYS or any CONVERGYS Liabilities;

(c) any breach by CONVERGYS or its Affiliates of this Agreement or any of the Ancillary Agreements; and

(d) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in any IPO Registration Statement or Prospectus.

10.3 INDEMNIFICATION BY CBI. Except as provided in Section 10.4, CBI shall indemnify, defend and hold harmless CONVERGYS, and each of its directors, officers and employees, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "CONVERGYS Indemnitees"), from and against any and all liabilities of the CONVERGYS Indemnitees relating to, arising out of or resulting from any of the following items:

(a) the failure of CBI or any other person to pay, perform or otherwise promptly discharge any liabilities of CBI other than the CONVERGYS liabilities whether prior to or after the Closing Date or the date hereof;

(b) the business of CBI or any liability of CBI other than the CONVERGYS liabilities;

(c) any breach by CBI or any of its affiliates of this Agreement or any of the Ancillary Agreements; and

(d) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to

make the statements therein not misleading, with respect to all information about CBI contained in any IPO Registration Statement or Prospectus.

10.4 INDEMNIFICATION OBLIGATIONS NET OF INSURANCE PROCEEDS AND OTHER AMOUNTS.

(a) The parties intend that any liability subject to indemnification or reimbursement pursuant to this Article 9 will be net of insurance proceeds that actually reduce the amount of the liability. Accordingly, the amount which any party (an "Indemnifying Party") is required to pay to any person entitled to indemnification hereunder (an "Indemnitee") will be reduced by any insurance proceeds theretofore actually recovered by or on behalf of the Indemnitee in reduction of the related liability. If an Indemnitee receives a payment (an "Indemnity Payment") required by this Agreement from an Indemnifying Party in respect of any liability and subsequently receives insurance proceeds, then the Indemnitee will pay to the Indemnifying Party an amount equal to the excess of the Indemnity Payment received over the amount of the Indemnity Payment that would have been due if the insurance proceeds recovery had been received, realized or recovered before the Indemnity Payment was made.

(b) In the case of any Shared Contingent Liability, any insurance proceeds actually received, realized or recovered by any party in respect of the Shared Contingent Liability will be shared among the parties in such manner as may be necessary so that the obligations of the parties for such Shared Contingent Liability, net of such insurance proceeds, will remain in proportion to their respective Shared Percentages, regardless of which party or parties may actually receive, realize or recover such insurance proceeds.

(c) An insurer who would otherwise be obligated to pay any claim shall not be relieved of the responsibility with respect thereto or, solely by virtue of the indemnification provisions hereof, have any subrogation rights with respect thereto, it being expressly understood and agreed that no insurer or any other third party shall be entitled to receive a benefit that they would not be entitled to receive in the absence of the indemnification provisions by virtue of the indemnification provisions hereof.

10.5 PROCEDURES FOR INDEMNIFICATION OF THIRD PARTY CLAIMS.

(a) If an Indemnitee shall receive notice or otherwise learn of the assertion by any Person other than the parties hereto (a "Third Party Claim") with respect to which an Indemnifying Party may be obligated to provide indemnification to such Indemnitee pursuant to Section 10.2 or 10.3, or any other Section of this Agreement or any Ancillary Agreement, such Indemnitee shall give such Indemnifying Party written notice thereof within 20 days after becoming aware of such Third Party Claim. If any Person shall receive notice or otherwise learn of the assertion of a Third Party Claim which may reasonably be determined to be a Shared Contingent Liability, such Person (if other than CBI) shall give CBI and any other party to this Agreement written notice thereof within 20 days after becoming aware of such Third Party Claim. Any such notice shall describe the Third Party Claim in reasonable detail. Notwithstanding the foregoing, the failure of any Indemnitee or other Person to give notice as provided in this Section 10.5(a) shall not relieve the related Indemnifying Party of its obligations under this Article 10, except to the extent that such Indemnifying Party is actually prejudiced by such failure to give notice.

(b) If the Indemnitee, the party receiving any notice pursuant to Section 10.5(a) or any other party to this Agreement believes that the Third Party Claim is or may be a Shared Contingent Liability, such Indemnitee or other party may make a request for a determination of such matter to the Contingent Claim Committee (a "Determination Request") at any time following any notice given by the Indemnitee to an Indemnifying Party or given by any other Person to CBI pursuant to Section 10.5(a). CBI may make such a Determination Request at any time. Unless all parties have acknowledged that the applicable Third Party Claim is not a Shared Contingent Liability or unless a determination to such effect has been made in accordance with Section 7.6, CBI shall be entitled (but not obligated) to assume the defense of such Third Party Claim as if it were the Indemnifying Party hereunder. In any such event, CBI shall be entitled to reimbursement of all the costs and expenses of such defense once a final determination or acknowledgement is made as to the status of the Third Party Claim from the applicable party or parties that would have been required to pay such amounts if the status of the Third Party Claim had been determined immediately; provided that, if such Third Party Claim is determined to be a Shared Contingent Liability, such costs and expenses shall be shared as provided in Section 7.4.

(c) CBI shall assume the defense of, and may seek to settle or compromise, any Third Party Claim that is a Shared Contingent Liability, and the costs and expenses thereof shall be included in the calculation of the amount of the applicable Shared Contingent Liability in determining the reimbursement obligations of the other parties with respect thereto pursuant to Section 7.4. Any Indemnitee in respect of a Shared Contingent Liability shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise, or settlement thereof, but all fees and expenses of such counsel shall be the expense of such Indemnitee.

(d) Other than in the case of a Shared Contingent Liability, an Indemnifying Party may elect to defend (and, unless the Indemnifying Party has specified any reservations or exceptions, to seek to settle or compromise), at such Indemnifying Party's own expense and by such Indemnifying Party's own counsel, any Third Party Claim. Within 30 days after the receipt of notice from an Indemnitee in accordance with Section 10.5(a), the Indemnifying Party shall notify the Indemnitee of its election whether the Indemnifying Party will assume responsibility for defending such Third Party Claim, which election shall specify any reservations or exceptions. After notice from an Indemnifying Party to an Indemnitee of its election to assume the defense of a Third Party Claim, such Indemnitee shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise, or settlement thereof, but the fees and expenses of such counsel shall be the expense of such Indemnitee except as set forth in the next sentence. In the event that (i) the Third Party Claim is not a Shared Contingent Liability and (ii) the Indemnifying Party has elected to assume the defense of the Third Party Claim but has specified, and continues to assert, any reservations or exceptions in such notice, then, in any such case, the reasonable fees and expenses of one separate counsel for all Indemnitees shall be borne by the Indemnifying Party.

(e) Other than in the case of a Shared Contingent Liability, if an Indemnifying Party elects not to assume responsibility for defending a Third Party Claim, or fails to notify an Indemnitee of its election as provided in Section 10.5(d), such Indemnitee may defend such Third Party Claim at the cost and expense of the Indemnifying Party.

(f) Unless the Indemnifying Party has failed to assume the defense of the Third Party Claim in accordance with the terms of this Agreement, no Indemnitee may settle or compromise any Third Party Claim that is not a Shared Contingent Liability without the consent of the Indemnifying Party. No Indemnitee may settle or compromise any Third Party Claim that is a Shared Contingent Liability without the consent of CBI.

(g) In the case of a Third Party Claim that is not a Shared Contingent Liability, no Indemnifying Party shall consent to entry of any judgment or enter into any settlement of the Third Party Claim without the consent of the Indemnitee if the effect thereof is to permit any injunction, declaratory judgment, other order or other nonmonetary relief to be entered, directly or indirectly, against any Indemnitee. In the case of a Third Party Claim that is a Shared Contingent Liability, CBI shall not consent to entry of any judgment or enter into any settlement of the Third Party Claim without the consent of the Indemnitee if the effect thereof is to permit any injunction, declaratory judgment, other order or other non-monetary relief to be entered, directly or indirectly, against any Indemnitee.

10.6 ADDITIONAL MATTERS.

(a) Any claim on account of a liability which does not result from a Third Party Claim shall be asserted by written notice given by the Indemnitee to the Indemnifying Party. Such Indemnifying Party shall have a period of 30 days after the receipt of such notice within which to respond thereto. If such Indemnifying Party does not respond within such 30-day period, such Indemnifying Party shall be deemed to have refused to accept responsibility to make payment. If such Indemnifying Party does not respond within such 30-day period or rejects such claim in whole or in part, such Indemnitee shall be free to pursue such remedies as may be available to such party as contemplated by this Agreement and the Ancillary Agreements.

(b) In the event of payment by or on behalf of any Indemnifying Party to any Indemnitee in connection with any Third Party Claim, such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnitee as to any events or circumstances in respect of which such Indemnitee may have the right, defense or claim relating to such Third Party Claim against any claimant or plaintiff asserting such Third Party Claim or against any

other person. Such Indemnitee shall cooperate with such Indemnifying Party in a reasonable manner, and at the cost and expense of such Indemnifying Party, in prosecuting any subrogated right, defense or claim; provided, however, that CBI shall be entitled to control the prosecution of any such right, defense or claim in respect of any Shared Contingent Liability.

(c) In the event of an Action in which the Indemnifying Party is not a named defendant, if either the Indemnitee or Indemnifying Party shall so request, the parties shall endeavor to substitute the Indemnifying Party for the named defendant, or, in the case of a Shared Contingent Liability, add the Indemnifying Party as a named defendant if at all possible. If such substitution or addition cannot be achieved for any reason or is not requested, the named defendant shall allow the Indemnifying Party to manage the Action as set forth in this Section, and, subject to Section 7.4 with respect to Shared Contingent Liabilities, the Indemnifying Party shall fully indemnify the named defendant against all costs of defending the Action (including court costs, sanctions imposed by a court, attorneys' fees, experts' fees and all other external expenses), the costs of any judgment or settlement, and the cost of any interest or penalties relating to any judgment or settlement.

10.7 REMEDIES CUMULATIVE. The remedies provided in this Article 10 shall be cumulative and shall not preclude assertion by an Indemnitee of any other rights or the seeking of any and all other remedies against any Indemnifying Party.

ARTICLE 11
CONFIDENTIALITY

11.1 GENERAL.

(a) Subject to Section 11.2, each of CBI and CONVERGYS, on behalf of itself and each member of its respective Group, agrees to hold, and to cause its respective directors, officers, employees, agents, accountants, counsel and other advisors and representatives to hold, in strict confidence, with at least the same degree of care that applies to CBI's confidential and proprietary information pursuant to policies in effect as of the Closing Date, all Information (as defined herein) concerning each such other Group that is either

in its possession (including Information in its possession prior to any of the date hereof, the Closing

Date or the Distribution Date) or furnished by any such other Group or its respective directors, officers, employees, agents, accountants, counsel and other advisors and representatives at any time pursuant to this Agreement, any Ancillary Agreement or otherwise, and shall not use any such Information other than for such purposes as shall be expressly permitted hereunder or thereunder, except, in each case, to the extent that such Information has been (i) in the public domain through no fault of such party or any member of such Group or any of their respective directors, officers, employees, agents, accountants, counsel and other advisors and representatives, (ii) later lawfully acquired from other sources by such party (or any member of such party's Group) which sources are not themselves bound by a confidentiality obligation), or (iii) independently generated without reference to any proprietary or confidential Information of the other party.

(b) Each party agrees not to release or disclose, or permit to be released or disclosed, any such Information to any other Person, except its directors, officers, employees, agents, accountants, counsel and other advisors and representatives who need to know such Information (who shall be advised of their obligations hereunder with respect to such Information), except in compliance with Section 11.2. Without limiting the foregoing, when any Information is no longer needed for the purposes contemplated by this Agreement or any Ancillary Agreement, each party will promptly after request of the other party either return to the other party all Information in a tangible form (including all copies thereof and all notes, extracts or summaries based thereon) or certify to the other party that it has destroyed such Information (and such copies thereof and such notes, extracts or summaries based thereon).

11.2 In the event that any party or any member of its Group either determines on the advice of its counsel that it is required to disclose any Information pursuant to applicable law or receives any demand under lawful process or from any Governmental Authority to disclose or provide Information of any other party (or any member of any other party's Group) that is subject to the confidentiality provisions hereof, such party shall notify the other party prior to disclosing or providing such Information and shall cooperate at the expense of the requesting party in seeking any reasonable protective arrangements requested by such other party. Subject to the foregoing, the Person that received such request may thereafter disclose or provide Information

to the extent required by such law (as so advised by counsel) or by lawful process or such Governmental Authority.

11.3 Information means information, whether or not patentable or copyrightable, in written, oral, electronic or other tangible or intangible forms, stored in any medium, including studies, reports, books, records,

contracts, instruments, surveys, ideas, concepts, know-how, techniques, designs, drawings, blueprints, diagrams, models, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other software, marketing plans, customer names, communications by or to attorneys (including attorney-client privileged communications), memos and other materials prepared by attorneys or under their direction (including attorney work product), and other technical, financial, employee or business information or data.

ARTICLE 12
ARBITRATION; DISPUTE RESOLUTION

12.1 AGREEMENT TO ARBITRATE. Except as otherwise specifically provided in any Ancillary Agreement, the procedures for discussion, negotiation and arbitration set forth in this Article 12 shall apply to all disputes, controversies or claims (whether sounding in contract, tort or otherwise) that may arise out of or relate to, or arise under or in connection with this Agreement or any Ancillary Agreement, or the transactions contemplated hereby or thereby (including all actions taken in furtherance of the transactions contemplated hereby or thereby on or prior to the date hereof), or the commercial or economic relationship of the parties relating hereto or thereto, between or among any member of the CBI Group and the CONVERGYS Group. Each party agrees on behalf of itself and each member of its respective Group that the procedures set forth in this Article 12 shall be the sole and exclusive remedy in connection with any dispute, controversy or claim relating to any of the foregoing matters and irrevocably waives any right to commence any Action in or before any governmental authority, except as expressly provided in Sections 12.7(b) and 12.8 and except to the extent provided under the Arbitration Act in the case of judicial review of arbitration results or awards. Each party on behalf of itself and each member of its respective Group irrevocably waives any right to any trial by jury with respect to any claim, controversy or dispute set forth in the first sentence of this Section 12.1.

12.2 ESCALATION.

(a) It is the intent of the parties to use their respective reasonable best efforts to resolve expeditiously any dispute, controversy or claim between or among them with respect to the matters covered hereby that may arise from time to time on a mutually acceptable negotiated basis. In furtherance of the foregoing, any party involved in a dispute, controversy or claim may deliver a notice (an "Escalation Notice") demanding an in person meeting involving representatives of the parties at a senior level of management of the parties (or if the parties agree, of the appropriate strategic business unit or division within such entity). A copy of any such Escalation Notice shall be given to the General Counsel, or like officer or official, of each party involved in the dispute, controversy or claim (which copy shall state that it is an Escalation Notice pursuant to this Agreement). Any agenda, location or procedures for such discussions or negotiations between the parties may be established by the parties from time to time; provided, however, that the parties shall use their reasonable best efforts to meet within 30 days of the Escalation Notice.

(b) The parties may, by mutual consent, retain a mediator to aid the parties in their discussions and negotiations by informally providing advice to the parties. Any opinion expressed by the mediator shall be strictly advisory and shall not be binding on the parties, nor shall any opinion expressed by the mediator be admissible in any arbitration proceedings. The mediator may be

chosen from a list of mediators previously selected by the parties or by other agreement of the parties. Costs of the mediation shall be borne equally by the parties involved in the matter, except that each party shall be responsible for its own expenses. Mediation is not a prerequisite to a demand for arbitration under Section 12.3.

12.3 DEMAND FOR ARBITRATION.

(a) At any time after the first to occur of (i) the date of the meeting actually held pursuant to the applicable Escalation Notice or (ii) 45 days after the delivery of an Escalation Notice (as applicable, the "Arbitration Demand Date"), any party involved in the dispute, controversy or claim (regardless of whether such party delivered the Escalation Notice)

may, unless the Applicable Deadline has occurred, make a written demand (the "Arbitration Demand Notice") that the dispute be resolved by binding arbitration, which Arbitration Demand Notice shall be given to the parties to the dispute, controversy or claim in the manner set forth in Section 12.3(b). In the event that any party shall deliver an Arbitration Demand Notice to another party, such other party may itself deliver an Arbitration Demand Notice to such first party with respect to any related dispute, controversy or claim with respect to which the Applicable Deadline has not passed without the requirement of delivering an Escalation Notice. No party may assert that the failure to resolve any matter during any discussions or negotiations, the course of conduct during the discussions or negotiations or the failure to agree on a mutually acceptable time, agenda, location or procedures for the meeting, in each case, as contemplated by Section 12.2, is a prerequisite to a demand for arbitration under Section 12.3.

(b) Except as may be expressly provided in any Ancillary Agreement, any Arbitration Demand Notice may be given until one year and 45 days after the later of the occurrence of the act or event giving rise to the underlying claim or the date on which such act or event was, or should have been, in the exercise of reasonable due diligence, discovered by the party asserting the claim (as applicable and as it may in a particular case be specifically extended by the parties in writing, the "Applicable Deadline"). Any discussions, negotiations or mediations between the parties pursuant to this Agreement or otherwise will not toll the Applicable Deadline unless expressly agreed in writing by the parties. Each of the parties agrees on behalf of itself and each member of its Group that if an Arbitration Demand Notice with respect to a dispute, controversy or claim is not given prior to the expiration of the Applicable Deadline, as between or among the parties and the members of their Groups, such dispute, controversy or claim will be barred. Subject to Sections 12.7(d) and 12.8, upon delivery of an Arbitration Demand Notice pursuant to Section 12.3(a) prior to the Applicable Deadline, the dispute, controversy or claim shall be decided by a sole arbitrator in accordance with the rules set forth in this Article 12.

12.4 ARBITRATORS

(a) Within 15 days after a valid Arbitration Demand Notice is given, the parties involved in the dispute, controversy or claim referenced therein shall attempt to select a sole arbitrator satisfactory to all such parties.

(b) In the event that such parties are not able jointly to select a sole arbitrator within such 15-day period, such parties shall each appoint an arbitrator within 30 days after delivery of the Arbitration Demand Notice. If one party appoints an arbitrator within such time period and the other party or parties fail to appoint an arbitrator within such time period, the arbitrator appointed by the one party shall be the sole arbitrator of the matter.

(c) In the event that a sole arbitrator is not selected pursuant to paragraph (a) or (b) above and, instead, two arbitrators are selected pursuant to paragraph (b) above, the two arbitrators will, within 30 days after the appointment of the later of them to be appointed, select an additional arbitrator who shall act as the sole arbitrator of the dispute. After selection of such sole arbitrator, the initial arbitrators shall have no further role with respect to the dispute. In the event that the arbitrators so appointed do not, within 30 days after the appointment of the later of them to be appointed, agree on the selection of the sole arbitrator, any party involved in such dispute may apply to the American Arbitration Association, Cincinnati, Ohio ("AAA"), to select the sole arbitrator, which selection shall be made by such organization within 30 days after such application. Any arbitrator selected pursuant to this paragraph (c) shall be disinterested with respect to any of the parties and the matter and shall be reasonably competent in the applicable subject matter.

(d) The sole arbitrator selected pursuant to paragraph (a), (b) or (c) above will set a time for the hearing of the matter which will commence no later than 90 days after the date of appointment of the sole arbitrator pursuant to paragraph (a), (b) or (c) above and which hearing will be no longer than 30 days (unless in the judgment of the arbitrator the matter is unusually complex and sophisticated and thereby requires a longer time, in which event such hearing shall be no longer than 90 days). The final decision of such arbitrator will be rendered in writing to the parties not later than 60 days after the last hearing date, unless otherwise agreed by the parties in writing.

(e) The place of any arbitration hereunder will be Cincinnati, Ohio, unless otherwise agreed by the parties.

12.5 HEARINGS. Within the time period specified in Section 12.4(d), the matter shall be presented to the arbitrator at a hearing by means of written submissions of memoranda and verified witness statements, filed simultaneously, and responses, if necessary in the judgment of the arbitrator or both the parties. If the arbitrator deems it to be essential to a fair resolution of the dispute, live cross-examination or direct examination may be permitted, but is not generally contemplated to be necessary. The arbitrator shall actively manage the arbitration with a view to achieving a just, speedy and cost-effective resolution of the dispute, claim or controversy. The arbitrator may, in his or her discretion, set time and other limits on the presentation of each party's case, its memoranda or other submissions, and refuse to receive any proffered evidence, which the arbitrator, in his or her discretion, finds to be cumulative, unnecessary, irrelevant or of low probative nature. Except as otherwise set forth herein, any arbitration hereunder will be conducted in accordance with the AAA Rules and Regulations then prevailing (except that the arbitration will not be

conducted under the auspices of the AAA and the fee schedule of the AAA will not apply). Except as expressly set forth in Section 12.8(b), the decision of the arbitrator will be final and binding on the parties, and judgment thereon may be had and will be enforceable in any court having jurisdiction over the parties. Arbitration awards will bear interest at an annual rate of the Prime Rate plus 2% per annum. To the extent that the provisions of this Agreement and the prevailing rules of the AAA conflict, the provisions of this Agreement shall govern.

12.6 DISCOVERY AND CERTAIN OTHER MATTERS.

(a) Any party involved in the applicable dispute may request limited document production from the other party or parties of specific and expressly relevant documents, with the reasonable expenses of the producing party incurred in such production paid by the requesting party. Any such discovery (which rights to documents shall be substantially less than document discovery rights prevailing under the Federal Rules of Civil Procedure) shall be conducted expeditiously and shall not cause the hearing provided for in Section 12.5 to be adjourned except upon consent of all parties involved in the applicable dispute or upon an

extraordinary showing of cause demonstrating that such adjournment is necessary to permit discovery essential to a party to the proceeding. Depositions, interrogatories or other forms of discovery (other than the document production set forth above) shall not occur except by consent of the parties involved in the applicable dispute. Disputes concerning the scope of document production and enforcement of the document production requests will be determined by written agreement of the parties involved in the applicable dispute or, failing such agreement, will be referred to the arbitrator for resolution. All discovery requests will be subject to the proprietary rights and rights of privilege of the parties, and the arbitrator will adopt procedures to protect such rights and to maintain the confidential treatment of the arbitration proceedings (except as may be required by law). Subject to the foregoing, the arbitrator shall have the power to issue subpoenas to compel the production of documents relevant to the dispute, controversy or claim.

(b) The arbitrator shall have full power and authority to determine issues of arbitrability but shall otherwise be limited to interpreting or construing the applicable provisions of this Agreement or any Ancillary Agreement, and will have no authority or power to limit, expand, alter, amend, modify, revoke or suspend any condition or provision of this Agreement or any Ancillary Agreement; it being understood, however, that the arbitrator will have full authority to implement the provisions of this Agreement or any Ancillary Agreement, and to fashion appropriate remedies for breaches of this Agreement (including interim or permanent injunctive relief); provided that the arbitrator shall not have (i) any authority in excess of the authority a court having jurisdiction over the parties and the controversy or dispute would have absent these arbitration provisions or (ii) any right or power to award punitive or treble damages. It is the intention of the parties that in rendering a decision the arbitrator give effect to the applicable provisions of this Agreement and the Ancillary Agreements and follow applicable law (it being understood and agreed that this sentence shall not give rise to a right of judicial review of the arbitrator's award).

(c) If a party fails or refuses to appear at and participate in an arbitration hearing after due notice, the arbitrator may hear and determine the controversy upon evidence produced by the appearing party.

(d) Arbitration costs will be borne equally by each party involved in the matter, except that each party will be responsible for its own attorney's fees and other costs and expenses, including the costs of witnesses selected by such party.

12.7 CERTAIN ADDITIONAL MATTERS.

(a) Any arbitration award shall be a bare award limited to a holding for or against a party and shall be without findings as to facts, issues or conclusions of law and shall be without a statement of the reasoning on which the award rests, but must be in adequate form so that a judgment of a court may be entered thereupon. Judgment upon any arbitration award hereunder may be entered in any court having jurisdiction thereof.

(b) Prior to the time at which an arbitrator is appointed pursuant to Section 12.4, any party may seek one or more temporary restraining orders in a court of competent jurisdiction if necessary in order to preserve and protect the status quo. Neither the request for, or grant or denial of, any such temporary restraining order shall be deemed a waiver of the obligation to arbitrate as set forth herein and the arbitrator may dissolve, continue or modify any such order. Any such temporary restraining order shall remain in effect until the first to occur of the expiration of the order in accordance with its terms or the dissolution thereof by the arbitrator.

(c) Except as required by law, the parties shall hold, and shall cause their respective officers, directors, employees, agents and other representatives to hold, the existence, content and result of mediation or arbitration in confidence in accordance with the provisions of Article 12 and except as may be required in order to enforce any award. Each of the parties shall request that any mediator or arbitrator comply with such confidentiality requirement.

(d) In the event that at any time the sole arbitrator shall fail to serve as an arbitrator for any reason, the parties shall select a new arbitrator who shall be disinterested as to the parties and the matter in accordance with the procedures set forth herein for the selection of the initial arbitrator. The extent, if any, to which testimony previously given shall be repeated or as to which the replacement arbitrator elects to rely on the stenographic record (if there is one) of such testimony shall be determined by the replacement arbitrator.

12.8 LIMITED COURT ACTIONS.

(a) Notwithstanding anything herein to the contrary, in the event that any party reasonably determines the amount in controversy in any dispute, controversy or claim (or any series of related disputes, controversies or claims) under this Agreement or any Ancillary Agreement is, or is reasonably likely to be, in excess of $25 million and if such party desires to commence an Action in lieu of complying with the arbitration provisions of this Article, such party shall so state in its Arbitration Demand Notice. If the other parties to the arbitration do not agree that the amount in controversy in such dispute,

controversy or claim (or such series of related disputes, controversies or claims) is, or is reasonably likely to be, in excess of $25 million, the arbitrator selected pursuant to Section 12.4 hereof shall decide whether the amount in controversy in such dispute, controversy or claim (or such series of related disputes, controversies or claims) is, or is reasonably likely to be, in excess of $25 million. The arbitrator shall set a date that is no later than ten days after the date of his or her appointment for submissions by the parties with respect to such issue. There shall not be any discovery in connection with such issue. The arbitrator shall render his or her decision on such issue within five days of such date so set by the arbitrator. In the event that the arbitrator determines that the amount in controversy in such dispute, controversy or claim (or such series of related disputes, controversies or claims) is or is reasonably likely to be in excess of $25 million, the provisions of Sections 12.4(d) and (e), 12.5, 12.6, 12.7 and 12.10 hereof shall not apply and on or before (but, except as expressly set forth in Section 12.8(b), not after) the tenth business day after the date of such decision, any party to the arbitration may elect, in lieu of arbitration, to commence an Action with respect to such dispute, controversy or claim (or such series of related disputes, controversies or claims) in any court of competent jurisdiction. If the arbitrator does not so determine, the provisions of this Article (including with respect to time periods) shall apply as if no determinations were sought or made pursuant to this Section 12.8(a).

(b) In the event that an arbitration award in excess of $25 million is issued in any arbitration proceeding commenced hereunder, any party may, within 60 days after the date of such award, submit the dispute, controversy or claim (or series of related disputes, controversies or claims) giving rise thereto to a court of competent jurisdiction, regardless of

whether such party or any other party sought to commence an Action in lieu of proceeding with arbitration in accordance with Section 12.8(a). In such event, the applicable court may elect to rely on the record developed in the arbitration or, if it determines that it would be advisable in connection with the matter, allow the parties to seek additional discovery or to present additional evidence. Each party shall be entitled to present arguments to the court with respect to whether any such additional discovery or evidence shall be permitted and with respect to all other matters relating to the applicable dispute, controversy or claim (or series of related disputes, controversies or claims).

12.9 CONTINUITY OF SERVICE AND PERFORMANCE. Unless otherwise agreed in writing, the parties will continue to provide service and honor all other commitments under this Agreement and each Ancillary Agreement during the course of dispute resolution pursuant to the provisions of this Article 11 with respect to all matters not subject to such dispute, controversy or claim.

12.10 LAW GOVERNING ARBITRATION PROCEDURES. The interpretation of the provisions of this Article 11, only insofar as they relate to the agreement to arbitrate and any procedures pursuant thereto, shall be governed by the Arbitration Act and other applicable federal law. In all other respects, the interpretation of this Agreement shall be governed by the laws of the State of Ohio.

ARTICLE 13
FURTHER ASSURANCES AND ADDITIONAL COVENANTS

13.1 FURTHER ASSURANCES.

(a) In addition to the actions specifically provided for elsewhere in this Agreement, each of the parties hereto shall use its reasonable best efforts, prior to, on and after the Closing Date, to take, or cause to be taken, all actions, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable laws, regulations and agreements to consummate and make effective the transactions contemplated by this Agreement and the Ancillary Agreements.

(b) Without limiting the foregoing, prior to, on and after the Closing Date, each party hereto shall cooperate with the other parties, and without any further consideration,

but at the expense of the requesting party, to execute and deliver, or use its reasonable best efforts to cause to be executed and delivered, all instruments, including instruments of conveyance, assignment and transfer, and to make all filings with, and to obtain all consents, approvals or authorizations of, any governmental authority or any other Person under any permit, license, agreement, indenture or other instrument (including any consents or governmental approvals), and to take all such other actions as such party may reasonably be requested to take by any other party hereto from time to time, consistent with the terms of this Agreement and the Ancillary Agreements, in order to effectuate the provisions and purposes of this Agreement and the Ancillary Agreements and the transfers of the CONVERGYS Assets and the assignment and assumption of the liabilities and the other transactions contemplated hereby and thereby. Without limiting the foregoing, each party will, at the reasonable request, cost and expense of any other party, take such other actions as may be reasonably necessary to vest in such other party good and marketable title, free and clear of any liens and encumbrances, if and to the extent it is practicable to do so.

(c) On or prior to the Closing Date, CBI and CONVERGYS, in their respective capacities as direct and indirect shareholders of their respective subsidiaries, shall each ratify any actions which are reasonably necessary or desirable to be taken by CBI, CONVERGYS or any other subsidiary of CBI or CONVERGYS, as the case may be, to effectuate the transactions contemplated by this Agreement. On or prior to the Closing Date, CBI and CONVERGYS shall take all actions as may be necessary to approve the stock-based employee benefit plans of CONVERGYS in order to satisfy the requirement of Rule 16b-3 under the Exchange Act and Section 162(m) of the Code.

(d) The parties hereto agree to take any reasonable actions necessary in order for the Distribution to qualify as a tax-free distribution pursuant to Section 355 of the Code.

13.2 QUALIFICATION AS TAX-FREE DISTRIBUTION. After the Closing Date, neither CBI nor CONVERGYS shall take, or permit any member of its respective Group to take, any action which could reasonably be expected to prevent the Distribution from qualifying as a tax-free distribution within the meaning of Section 355 of the Code or any other transaction contemplated by this Agreement or any Ancillary Agreement which is intended by the parties to be tax-free

from failing so to qualify. Without limiting the foregoing, after the Closing Date and on or prior to the Distribution Date, CONVERGYS shall not issue or grant, and shall not permit any member of the CONVERGYS Group to issue or grant, directly or indirectly, any shares of CONVERGYS Common Shares or any rights, warrants, options or other securities to purchase or acquire (whether upon conversion, exchange or otherwise) any shares of CONVERGYS Common Shares (whether or not then exercisable, convertible or exchangeable) if such issuance or grant would prevent the Distribution from being tax-free under Section 355 of the Code.

ARTICLE 14
TERMINATION

14.1 TERMINATION BY MUTUAL CONSENT. This Agreement may be terminated at any time after the Closing Date and prior to the Distribution Date by the mutual consent of CBI and CONVERGYS.

14.2 OTHER TERMINATION. This Agreement may be terminated by CBI at any time prior to the Closing Date.

14.3 EFFECT OF TERMINATION.

(a) In the event of any termination of this Agreement prior to the Closing Date, no party to this Agreement (or any of its directors or officers) shall have any liability or further obligation to any other party.

(b) In the event of any termination of this Agreement on or after the Closing Date, only the provisions of Article 8 will terminate and the other provisions of this Agreement and each Ancillary Agreement shall remain in full force and effect.

ARTICLE 15
MISCELLANEOUS

15.1 COUNTERPARTS; ENTIRE AGREEMENT; CORPORATE POWER.

(a) This Agreement and each Ancillary Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall

become effective when one or more counterparts have been signed by each of the parties and delivered to the other party.

(b) This Agreement and the Ancillary Agreements and the Exhibits, Schedules and Appendices hereto and thereto contain the entire agreement between the parties with respect to the subject matter hereof, supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter and there are no agreements or understandings between the parties other than those set forth or referred to herein or therein.

15.2 GOVERNING LAW. This Agreement and, unless expressly provided therein, each Ancillary Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of Ohio.

15.3 ASSIGNABILITY. Except as set forth in any Ancillary Agreement, this Agreement and each Ancillary Agreement shall be binding upon and inure to

the benefit of the parties hereto and thereto, respectively, and their respective successors and assigns; provided, however, that no party hereto or thereto may assign its respective rights or delegate its respective obligations under this Agreement or any Ancillary Agreement without the express prior written consent of the other parties hereto or thereto.

15.4 THIRD PARTY BENEFICIARIES. Except for the indemnification rights under this Agreement of any CBI Indemnitee or CONVERGYS Indemnitee in their respective capacities as such, (a) the provisions of this Agreement and each Ancillary Agreement are solely for the benefit of the parties and are not intended to confer upon any person except the parties any rights or remedies hereunder, and (b) there are no third party beneficiaries of this Agreement or any Ancillary Agreement, and neither this Agreement nor any Ancillary Agreement shall provide any third person with any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement or any Ancillary Agreement. No party hereto shall have any right, remedy or claim with respect to any provision of this Agreement or any Ancillary Agreement to the extent such provision relates solely to the other two parties hereto or the members of such other two parties' respective groups. No party shall be

required to deliver any notice under this Agreement or under any Ancillary Agreement to any other party with respect to any matter in which such other party has no right, remedy or claim.

15.5 NOTICES. All notices or other communications under this Agreement or any Ancillary Agreement shall be in writing and shall be deemed to be duly given when (a) delivered in person or (b) deposited in the United States mail or private express mail, postage prepaid, addressed as follows:

If to CBI, to:
Cincinnati Bell Inc.
201 East Fourth Street
Cincinnati, OH 45202
Attn: President

If to CONVERGYS, to:
CONVERGYS CORPORATION
201 East Fourth Street
Cincinnati, OH 45202
Attn: President

Each party may change, at any time, the person or the address to which notices should be sent hereunder by sending notice of such change as provided in this Section 15.5

15.6 SEVERABILITY. If any provision of this Agreement or any Ancillary Agreement or the application thereof to any person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof or thereof, or the application of such provision to persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby or thereby, as the case may be, is not affected in any manner adverse to any party. Upon such determination, the parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to effect the original intent of the parties.

15.7 FORCE MAJEURE. No party shall be deemed in default of this Agreement or any Ancillary Agreement to the extent that any delay or failure in the performance of its obligations under this Agreement or any Ancillary Agreement results from any cause beyond its reasonable control and without its fault or negligence, such as acts of God, acts of civil or military authority,

embargoes, epidemics, wars, riots, insurrections, fires, explosions, earthquakes, floods, unusually severe weather conditions, labor problems or unavailability of parts, or, in the case of computer systems, any failure in electrical or air conditioning equipment. In the event of any such excused delay, the time for performance shall be extended for a period equal to the time lost by reason of the delay.

15.8 PUBLICITY. Prior to the Distribution, each of CONVERGYS and CBI shall consult with the other prior to issuing any press releases or otherwise making public statements with respect to the IPO, the Distribution or any of the other transactions contemplated hereby and prior to making any filings with any governmental authority with respect thereto.

15.9 HEADINGS. The article, section and paragraph headings contained in this Agreement and in the Ancillary Agreements are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement or any Ancillary Agreement.

15.10 SURVIVAL OF COVENANTS. Except as expressly set forth in any Ancillary Agreement, the covenants, representations and warranties contained in this Agreement and each Ancillary Agreement, and liability for the breach of any obligations contained herein or therein, shall survive each of the Separation, the IPO and the Distribution and shall remain in full force and effect regardless of whether CBI shall consummate, delay, modify or abandon the Distribution.

15.11 WAIVERS OF DEFAULT. Waiver by any party of any default by the other party of any provision of this Agreement or any Ancillary Agreement shall not be deemed a waiver by the waiving party of any subsequent or other default, nor shall it prejudice the rights of the other party.

15.12 SPECIFIC PERFORMANCE. In the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement or any Ancillary Agreement, the party or parties who are or are to be thereby aggrieved shall have the right to specific performance and injunctive or other equitable relief of its rights under this Agreement or such Ancillary Agreement, in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative. The parties agree that the remedies at law for any breach or threatened breach, including monetary damages, are inadequate

compensation for any loss and that any defense in any action for specific performance that a remedy at law would be adequate is waived. Any requirements for the securing or posting of any bond with such remedy are waived.

15.13 AMENDMENTS.

(a) No provisions of this Agreement or any Ancillary Agreement shall be deemed waived, amended, supplemented or modified by any party, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representative of the party against whom it is sought to enforce such waiver, amendment, supplement or modification.

(b) Without limiting the foregoing, the parties anticipate that, prior to the Closing Date, some or all of the Schedules to this Agreement may be amended or supplemented and, in such event, such amended or supplemented Schedules shall be attached hereto in lieu of the original Schedules.

IN WITNESS WHEREOF, the parties have caused this Plan of Reorganization and Distribution Agreement to be executed by their duly authorized representatives on this 20th day of July, 1998.

CINCINNATI BELL INC.

By: /s/ JOHN T. LAMACCHIA

John T. LaMacchia, President
and Chief Executive Officer

CONVERGYS CORPORATION

By: /s/ JAMES F. ORR

James F. Orr, President
and Chief Executive Officer

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SERVICES AGREEMENT

THIS SERVICES AGREEMENT (the "Agreement"), dated as of July 20, 1998, is by and between Cincinnati Bell Inc., an Ohio corporation ("CBI"), and CONVERGYS Corporation, an Ohio corporation ("CONVERGYS").

RECITALS

WHEREAS, the Board of Directors of CBI has determined that it is in the best interests of CBI and its shareholders to separate CBI's existing businesses into two independent businesses by transferring all of the outstanding shares of Cincinnati Bell Information Systems Inc. ("CBIS") and of MATRIXX Marketing Inc. ("MATRIXX") to CONVERGYS;

WHEREAS, CBI and CONVERGYS recognize that it is advisable for CBI to continue providing certain administrative and other services to CONVERGYS until the Distribution Date (as defined herein) and thereafter for CONVERGYS to provide certain administrative and other services to CBI as provided herein (individually a "Service" and, collectively, the "Services"); and

WHEREAS, this Agreement is entered into pursuant to the Plan of Reorganization and Distribution Agreement, dated as of the date hereof,

between CBI and CONVERGYS (the "Plan of Reorganization and Distribution Agreement"). Capitalized terms used herein and not otherwise defined shall have the respective meanings assigned to them in the Plan of Reorganization and Distribution Agreement.

NOW, THEREFORE, in consideration of the premises and for other good and valid consideration, the receipt and adequacy of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

ARTICLE 1
SERVICES

1.1 SERVICES. Beginning on the Closing Date (the "Effective Date") and continuing through the Distribution Date, CBI, through its corporate staff, will provide or otherwise make available to CONVERGYS, upon the reasonable request of CONVERGYS, certain general corporate services, including, but not limited to, finance, treasury and accounting, tax, human resource services, food services, transportation services and arrange for administration of insurance and risk management and employee benefit programs. Beginning the next day after the Distribution Date through the date that is six months after the Distribution Date (the "Expiration Date"), CONVERGYS, through its corporate staff, will provide or otherwise make available to CBI, upon the reasonable request of CBI, certain general corporate services, including, but not limited to accounting and audit, finance and treasury, tax, human resource services, food services, transportation services and arrange for administration of insurance and risk management and employee benefit programs. For purposes of this Agreement, the party receiving the Services is sometimes referred to as the "Receiving Party," and the party providing the Services is sometimes referred to as the "Providing Party." The Services may include the following:

(a) FINANCE, TREASURY AND ACCOUNTING RELATED SERVICES. Provision of general financial advice and services including, without limitation, assistance with respect to matters such as raising of additional capital, cash management and financial controls, inter-company lending, and accounting and internal audit.

(b) TAX RELATED SERVICES. Preparation of Federal tax returns, preparation of state and local tax returns (including income tax returns), tax research and planning and assistance on tax audits (Federal, state and local) in accordance with the terms of the Tax Separation and Allocation Agreement.

(c) HUMAN RESOURCES. Provision of general advice regarding the coordination of employment policies and executive compensation matters.

(d) FOOD SERVICES. Provision of general food services as provided by CBI on the date of this Agreement.

(e) TRANSPORTATION SERVICES. Provision of general transportation services as provided by CBI on the date of this Agreement.

(f) INSURANCE AND EMPLOYEE BENEFIT RELATED SERVICES. Provision of liability, property, casualty, and other normal business insurance coverage and assistance, if required, with respect to arrangement of such insurance coverage. Assistance, if required, with respect to support for product, worker safety and environmental programs. (The Receiving Party acknowledges that principal responsibility for compliance rests with the Receiving Party.) Administration of the Receiving Party's employee participation in employee benefit plans and insurance programs sponsored by the Providing Party in accordance with the Employee Benefits Agreement.

Filing of all required reports under ERISA for employee benefit plans sponsored by CONVERGYS.

(g) ADDITIONAL SERVICES. Services in addition to those enumerated in subsections 1.1(a) through 1.1(g), above, as may be agreed upon by CBI and CONVERGYS from time to time ("Additional Services").

(1) The parties shall create an Exhibit for each Additional Service setting forth a description of the Service, the time period during which the Service will be provided, the charge, if any, for the Service and any other terms applicable thereto. Except as set forth in the paragraph immediately below, the parties may, but shall not be required to, agree on Additional Services during the term of this Agreement.

(2) Except as set forth in the next sentence, CBI shall be obligated to perform, at charges established pursuant hereto, any Additional Service that: (A) was provided by CBI immediately prior to the Effective Date and that CONVERGYS reasonably believes was inadvertently or unintentionally omitted from the list of Initial Services or (B) is essential to effectuate an orderly transition under the Plan of Reorganization and Distribution Agreement unless such performance would significantly disrupt CBI's operations or materially increase the scope of its responsibility under this Agreement. If CBI reasonably believes the performance of Additional Services required under subparagraphs (A) or (B) would significantly disrupt its operations or materially increase the scope of its responsibility under this Agreement, CBI and CONVERGYS shall negotiate in good faith to establish terms under which CBI can provide such Additional Services, but CBI shall not be obligated to provide such Additional Services if, following good faith negotiation, it is unable to reach agreement on such terms.

(h) SERVICES PERFORMED BY OTHERS. At its option, Providing Party may cause any Service it is required to provide hereunder to be provided by any other Person that is providing, or may from time to time provide, the same or similar services for Providing Party. Providing Party shall remain responsible, in accordance with the terms of this Agreement, for performance of any Service it causes to be so provided.

1.2 TERM. The initial term of this Agreement shall begin on the Effective Date of this Agreement and continue until the Expiration Date unless terminated earlier as provided herein:

(a) Receiving Party may terminate any or all of the Services, in whole or in part, upon 30 days written notice to Providing Party.

(b) This Agreement may be terminated at any time upon the mutual consent of the parties.

(c) The non-defaulting party may terminate this Agreement if the other party is in material default under this Agreement and fails to correct such default within 30 days after receiving written notice of such default.

1.3 CHARGES AND PAYMENT.

(a) GENERAL. For performing general services of the types described above in Section 1, Providing Party will charge Receiving Party the costs actually incurred or such other charges as the parties may agree. To the extent such direct costs cannot be separately measured, Providing Party shall charge Receiving Party for a portion of the total cost determined according to a method reasonably selected by Providing Party and approved by Receiving Party.

The charges for services above will be determined and payable no less frequently than on a monthly basis. The charges will be due when billed and shall be paid no later than thirty 30 days from the date of billing.

(b) CHARGES FOR THIRD-PARTY SERVICES. When services of the type described above in Section 1 are provided, upon the mutual agreement of Providing Party and Receiving Party, by outside providers or, in connection with the provision of such Services out-of-pocket costs are incurred, such as travel, the cost thereof will be paid by Receiving Party. To the extent that Receiving Party is billed by the provider directly, Receiving Party shall pay the bill directly. If Providing Party is billed for such Services, Providing Party may pay the bill and charge Receiving Party the amount of the bill or forward the bill to Receiving Party for payment by Receiving Party.

(c) TAXES. Receiving Party shall pay any sales, use or similar tax, excluding any income tax or taxes levied with respect to gross receipts, payable by Providing Party or Receiving Party with respect to amounts payable under this Agreement.

1.4 GENERAL OBLIGATIONS; STANDARD OF CARE.

(a) TRANSITIONAL NATURE OF SERVICES; CHANGES. The parties acknowledge the transitional nature of the Services and that Providing Party may make changes from time to time in the manner of performing the Services if Providing Party is making similar changes in performing similar services for itself and its Affiliates and if Providing Party furnishes to Receiving Party substantially the same notice that Providing Party shall provide its Affiliates respecting such changes. Notwithstanding the foregoing, between the date hereof and the Expiration Date, Providing Party will not make any material change to Services affecting Receiving Party without first providing thirty (30) days prior written notice and obtaining Receiving Party's prior written consent, which consent shall not be unreasonably withheld or delayed. For purposes of this Agreement, the term "Affiliates" means, with respect to any person, any other person, corporation, partnership, or other entity, directly or indirectly controlling, controlled by or under common control with such person.

(b) GOOD FAITH COOPERATION; CONSENTS. The parties will use good faith efforts to cooperate with each other in all matters relating to the provision and receipt of Services. Such cooperation shall include exchanging information, providing electronic access to systems used in connection with Services, performing true-ups and adjustments and obtaining all consents, licenses, sublicenses or approvals necessary to permit each party to perform its obligations hereunder. The costs of obtaining such consents, licenses, sublicenses or approvals shall be allocated in accordance with Section 1.3(a). The parties will maintain documentation supporting the information contained in the Exhibits and cooperate with each other in making such information available as needed in the event of a tax audit, whether in the United States or any other country.

(c) ALTERNATIVES. If Providing Party reasonably believes it is unable to provide any Service because of a failure to obtain necessary consents, licenses, sublicenses or approvals pursuant to subsection 1.4(b) or because of Impracticability, the parties shall cooperate to determine the best alternative approach. Until such alternative approach is found or the problem otherwise resolved to the satisfaction of the parties, Providing Party shall use reasonable efforts, subject to Section 1.4(g) and Section 1.5(d), to continue providing the Service or, in the

case of systems, to support the function to which the system relates or permit Receiving Party to have access to the system so Receiving Party can support the function itself. To the extent an agreed upon alternative approach requires payment above and beyond that which is included in Providing Party's charge for the Service in question, the parties shall share equally in making any such payment unless they otherwise agree in writing.

(d) IMPRACTICABILITY. Providing Party shall not be required to provide any Service to the extent that the performance of such Service becomes "Impracticable" as a result of a cause or causes outside the reasonable control of Providing Party including unfeasible technological requirements, or to the extent the performance of such Services would require Providing Party to violate any applicable laws, rules or regulations or would result in the breach of any software license or other applicable contract.

(e) RECEIVING PARTY'S DIRECTORS AND OFFICERS. Nothing contained herein will be construed to relieve the directors or officers of Receiving Party from the performance of their respective duties or to limit the exercise of their powers in accordance with the Receiving Party's Articles of Incorporation or Regulations or in accordance with any applicable statute or regulation.

(f) LIABILITIES. In furnishing Receiving Party with management advice and other services as herein provided, neither Providing Party nor any of its officers, directors, employees or agents shall be liable to Receiving Party, its officers, directors, employees or agents, for errors of judgment or for anything except willful malfeasance, bad faith or gross negligence in the performance of their duties or reckless disregard of their obligations and duties under the terms of this Agreement. The provisions of this Agreement are for the sole benefit of Providing Party and Receiving Party and will not, except to the extent otherwise expressly stated herein, inure to the benefits of any third party.

(g) STANDARD OF CARE. Providing Party will use (and will cause its subsidiaries to use) reasonable efforts in providing the scheduled Services to Receiving Party and will perform such Services with the same degree of care, skill and prudence customarily exercised for its own operations; provided, however, that Providing Party shall not be required to devote full time and attention to the performance of its duties under this Agreement, but shall devote only so much of its time and attention as it deems reasonable or necessary to perform the Services required hereunder. To the extent possible, such Services will be substantially identical in nature and quality to the services currently provided or otherwise made available by Providing Party to its wholly owned subsidiaries and their respective operating divisions. Except as provided in an Exhibit for a specific Service, in providing the Services, Providing Party shall not be obligated to: (i) hire any additional employees; (ii) maintain the employment of any specific employee; (iii) purchase, lease or license any additional equipment or software; or (iv) pay any costs related to the transfer or conversion of Receiving Party's data to Providing Party or any alternate supplier of Services. Providing Party has the right to reasonably supplement, modify, substitute or otherwise alter such services from time to time in a manner consistent with supplements, modifications, substitutions or alterations made with respect to similar services provided or otherwise made available by Providing Party to its wholly owned subsidiaries and

their respective operating divisions. In providing such services, Providing Party will not be responsible for the accuracy, completeness or timeliness of

any advice or service or any return, report, filing or other document which it provides, prepares or assists in preparing, except to the extent that any inaccuracy, incompleteness or untimeliness arises from Providing Party's willful malfeasance, bad faith or gross negligence. Providing Party and Receiving Party will cooperate in planning the scope and timing of services provided by Providing Party under this Agreement in order to minimize or eliminate interference with the conduct of Providing Party's business activities. If such interference is unavoidable, Providing Party will apportion, in its sole discretion, the available services in a fair and reasonable manner. Notwithstanding anything set forth in this Section 1.4(g), neither Providing Party nor any of its officers, directors, employees or agents shall have any liability under this Agreement except to the extent provided in Section 1.4(f).

(h) NON-EXCLUSIVITY. Nothing in this Agreement precludes Receiving Party from obtaining the scheduled Services, in whole or in part, from its own employees or from providers other than Providing Party.

1.5 CERTAIN LIMITATIONS: NO SALE, TRANSFER, ASSIGNMENT. Receiving Party may not sell, transfer, assign or otherwise use the Services provided hereunder, in whole or in part, for the benefit of any person other than the Receiving Party Affiliates.

1.6 CONFIDENTIALITY. Providing Party agrees to hold, and to use its best efforts to cause its employees and representatives to hold, in confidence all Confidential Information concerning Receiving Party, furnished to or obtained by Providing Party after the Effective Date in the course of providing the scheduled Services, in a manner consistent with Providing Party's standard policies with respect to the preservation and disclosure of Confidential Information concerning Providing Party and its subsidiaries and operating units. Providing Party's systems used to perform the Services provided hereunder are confidential and proprietary to Providing Party or third parties. Receiving Party shall treat these systems and all related procedures and documentation as confidential and proprietary to Providing Party or its third party vendors.

1.7 DISCLAIMER OF WARRANTIES, LIMITATION OF LIABILITY AND INDEMNIFICATION.

(a) DISCLAIMER OF WARRANTIES. PROVIDING PARTY DISCLAIMS ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO THE SERVICES. PROVIDING PARTY MAKES NO REPRESENTATIONS OR WARRANTIES AS TO THE QUALITY, SUITABILITY OR ADEQUACY OF THE SERVICES FOR ANY PURPOSE OR USE.

(b) LIMITATION OF LIABILITY; INDEMNIFICATION OF RECEIVING PARTY. Providing Party shall have no Liability to Receiving Party with respect to its furnishing any of the Services hereunder except for Liabilities arising out of the willful malfeasance, bad faith or gross negligence of Providing Party or any Affiliates of Providing Party. Providing Party will

indemnify, defend and hold harmless Receiving Party and its officers, directors, employees and agents in respect of all Liabilities related to, arising from, asserted against or associated with such willful misconduct, malfeasance, bad faith or gross negligence. Such indemnification obligation shall be a liability of Providing Party for purposes of the Plan of Reorganization and Distribution Agreement and the provisions with respect to indemnification shall govern with respect thereto. In no event shall Providing Party or any Providing Party Affiliate have any Liability for any incidental, indirect, special or consequential damages, whether or not caused

by or resulting from negligence or breach of obligations hereunder and whether or not informed of the possibility of the existence of such damages. For purposes of this Agreement, the term "Liabilities" means any and all losses, claims, charges, debts, demands, actions, causes of actions, suits, damages, costs and expenses, and similar obligations, including those arising under any law, rule, regulation, action, suit, proceeding (including reasonable attorneys' fees) and any and all costs and expenses related thereto.

(c) LIMITATION OF LIABILITY; INDEMNIFICATION OF PROVIDING PARTY. Receiving Party shall indemnify and hold harmless Providing Party and its officers, directors, employees and agents in respect of all Liabilities related to, arising from, asserted against or associated with Providing Party's furnishing or failing to furnish the Services provided for in this Agreement, other than Liabilities arising out of the willful malfeasance, bad faith or gross negligence of Providing Party or any Providing Party Affiliate. The provisions of this indemnity shall apply only to losses which relate directly to the provision of Services. Such indemnification obligation shall be a liability of the Receiving Party for purposes of the Plan of Reorganization and Distribution Agreement and the provisions with respect to indemnification shall govern with respect thereto. In no event shall Receiving Party or any Receiving Party Affiliate have any Liability for any incidental, indirect, special or consequential damages, whether or not caused by or resulting from negligence or breach of obligations hereunder and whether or not informed of the possibility of the existence of such damages.

(d) SUBROGATION OF RIGHTS VIS-A-VIS THIRD PARTY CONTRACTORS. In the event any Liability arises from the performance of Services hereunder by a third party contractor, Receiving Party shall be subrogated to such rights, if any, as Providing Party may have against such third party contractor with respect to the Services provided by such third party contractor to or on behalf of Receiving Party.

ARTICLE 2
INSURANCE AND FOUNDATION MATTERS

2.1 CONVERGYS agrees that it will reimburse CBI for its proportionate share of premiums paid or accrued, from the Effective Date until the Distribution Date or such other date to which the parties agree, in respect of insurance policies under which CONVERGYS and its Affiliates will continue to have coverage following the Effective Date hereof. CBI and CONVERGYS agree to cooperate in good faith to provide for an orderly transition of insurance coverage from the Effective Date through the Distribution Date and for the treatment of any insurance policies that will remain in effect following the Effective Date on a mutually agreeable

basis. Such efforts shall include, without limitation, cooperation with the insurance companies with respect to the determination and allocation of premiums, fees, assessments and other associated costs, including, but not limited to, the potential attainment of any aggregate maximum liability for policies in place prior to the Distribution Date. To the extent that insurance carriers are able to and agree to separately invoice each party for its proportionate allocation of all premiums, fees, assessments and other associated costs, each party shall fully cooperate with such arrangements. CBI shall fully cooperate with CONVERGYS with respect to disclosing the existence of, and providing certified original copies of, any applicable insurance and claims agreements upon request.

2.2 Each party shall cooperate fully with the other with respect to the administration and reporting of CONVERGYS claims, the payment of CONVERGYS claims determined to be payable, and the transfer to CONVERGYS of

the administration and files pertaining to any CONVERGYS claims or obligations. Nothing contained herein limits or in any way precludes CONVERGYS, by or for itself, CBIS and/or MATRIXX from asserting its rights to coverage under any CBI procured insurance policy that provided coverage to or for CONVERGYS, CBIS and/or MATRIXX and/or any such entities' directors, officers, employees or agents as insured parties prior to the Distribution Date. After the Effective Date, neither CBI nor CONVERGYS shall, without the consent of the other, provide any such insurance carrier with a release, or amend, modify or waive any rights under any such policy or agreement, if such release, amendment, modification or waiver would adversely affect any rights or potential rights of the other hereunder; provided, however, that the foregoing shall not (i) preclude either from presenting any claim or from exhausting any policy limit, (ii) require either to pay any premium or other amount or to incur any liability, or (iii) require either to renew, extend or continue any policy in force. Each of CONVERGYS and CBI will share such information as is reasonably necessary in order to permit the other to manage and conduct its insurance matters in an orderly fashion.

2.3 In the event that any of the insurance policies that CBI maintains expire before the Distribution Date, CBI shall use its reasonable best efforts to renew such policy and to cause the issuing insurance company to issue a separate policy to CONVERGYS. If CBI is not able to cause such insurance company to issue such separate insurance policy, CONVERGYS shall use its reasonable best efforts to procure a separate policy from another insurance company, and CBI shall use its reasonable best efforts to continue to cover CONVERGYS under its renewed policy until the date on which a separate insurance policy is procured. CONVERGYS shall compensate CBI for all costs incurred by CBI to continue such coverage. CBI shall use its reasonable best efforts to maintain the premium rates for all insurance policies for both CBI and CONVERGYS in effect for periods through the Distribution Date. Any premiums due under the separate insurance policies issued to CONVERGYS shall be payable by CONVERGYS. In no event shall CBI or any CBI Indemnitee have any liability or obligation whatsoever to CONVERGYS in the event that any insurance policy or other contract or policy of insurance shall be terminated or otherwise cease to be in effect for any reason, shall be unavailable or inadequate to cover any liability of CONVERGYS for any reason whatsoever or shall not be renewed or extended beyond the current expiration date.

2.4 This Agreement shall not be considered as an attempted assignment of any policy of insurance or as a contract of insurance and shall not be construed to waive any right or remedy of either CBI or CONVERGYS in respect of any insurance policy or any other contract or policy of insurance.

2.5 CONVERGYS does hereby, for itself and its Affiliates, agree that CBI or any CBI Indemnitee shall not have any liability whatsoever as a result of the insurance policies and practices of CBI and its Affiliates as in effect at any time prior to the Effective Date, including as a result of the level or scope of any such insurance, the creditworthiness of any insurance carrier, the terms and conditions of any policy, the adequacy or timeliness of any notice to any insurance carrier with respect to any claim or potential claim or otherwise.

2.6 Notwithstanding the foregoing, CBI agrees that, to the extent that CBI is providing indemnification (through insurance or otherwise) to any Covered Individual at any time prior to the Distribution Date for such individual's acts and omissions in any capacity, CBI shall continue to provide such indemnification, for any acts or omissions occurring prior to the Distribution Date, through the last day of the five-year period commencing on the Distribution Date. To the extent that such indemnification is being provided through insurance, any premiums for such insurance payable

after the Distribution Date shall be shared equally by CBI and CONVERGYS. For purposes of this Section 2.6, "Covered Individual" means an officer, director or employee of CBI or a CBI Affiliate (and, where appropriate, their spouses, estates, heirs, legal representatives and assigns) (a) who is insured, in any capacity, under CBI's Directors and Officers and Company Reimbursement Policy at any time prior to the Distribution Date and (b) who is an officer, director or employee of CONVERGYS or a CONVERGYS Affiliate on the day immediately following the Distribution Date. The provisions of this Section 2.6 shall survive the termination of this Agreement.

2.7 To the extent that at the Distribution Date the Cincinnati Bell Foundation has assets in excess of its commitments, the parties shall cause the Foundation's trustees to contribute half of such excess to a foundation established by CONVERGYS which qualifies as a charitable entity under Section 501(c)(3) of the Internal Revenue Code.

ARTICLE 3
MISCELLANEOUS

3.1 LAWS AND GOVERNMENTAL REGULATIONS. Receiving Party shall be responsible for (i) compliance with all laws and governmental regulations affecting its business and (ii) any use Receiving Party may make of the Services to assist it in complying with such laws and governmental regulations. While Providing Party shall not have any responsibility for Receiving Party's compliance with the laws and regulations referred to above, Providing Party agrees to use reasonable efforts, subject to subsection 1.5, to cause the Services to be designed in such manner that such Services shall be able to assist Receiving Party in complying with applicable legal and regulatory responsibilities. Providing Party's charge, if any, for such Service

may reflect its efforts under this Section 3.1. In no event, however, shall Receiving Party rely solely on its use of the Services in complying with any laws and governmental regulations.

3.2 RELATIONSHIP OF PARTIES. Nothing in this Agreement shall be deemed or construed by the parties or any third party as creating the relationship of principal and agent, partnership or joint venture between the parties, it being understood and agreed that no provision contained herein, and no act of the parties, shall be deemed to create any relationship between the parties other than the relationship of independent contractor nor be deemed to vest any rights, interest or claims in any third parties.

3.3 INDEPENDENCE. All employees and representatives of Providing Party providing the Services to Receiving Party will be deemed for purposes of all compensation and employee benefits to be employees or representatives of Providing Party and not employees or representatives of Receiving Party. In performing such services, such employees and representatives will be under the direction, control and supervision of Providing Party (and not of Receiving Party), and Providing Party will have the sole right to exercise all authority with respect to the employment (including termination of employment), assignment and compensation of such employees and representatives.

3.4 AMENDMENTS; WAIVERS. This Agreement may be amended or modified only in writing executed on behalf of CBI and CONVERGYS. No waiver shall operate to waive any further or future act and no failure to object or forbearance shall operate as a waiver.

3.5 INCONSISTENCY. In the event of any inconsistency between the terms of this Agreement and any of the Exhibits hereto, the terms of this Agreement, other than charges, shall control.

3.6 SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, provided that this Agreement and the rights and obligations contained herein or in any exhibit or schedule hereto shall not be assignable, in whole or in part, without the prior written consent of the parties hereto and any attempt to effect any such assignment without such consent shall be void.

3.7 ARBITRATION. Any dispute, controversy or claim arising out of or in connection with this Agreement (including any questions of fraud or questions concerning the validity and enforceability of this Agreement or any of the rights herein), shall be determined and settled in accordance with Article 11 of the Plan of Reorganization and Distribution Agreement.

3.8 NOTICES. All notices required or permitted to be given under this Agreement shall be in writing and shall be sent by facsimile transmission or mailed by registered or certified mail addressed to the party to whom such notice is required or permitted to be given. All notices shall be deemed to have been given when transmitted if given by facsimile and confirmation of receipt is received or, if mailed, 48 hours after mailed as evidenced by the postmark at the point of mailing.

All notices to CBI shall be addressed as follows:

CINCINNATI BELL INC.
201 E. Fourth Street
Seventh Floor
Cincinnati, Ohio 45202
Fax No. 513-397-9900
Attention: President

All notices to CONVERGYS shall be addressed as follows:

CONVERGYS CORPORATION
201 E. Fourth Street
Twentieth Floor
Cincinnati, Ohio 45202
Fax No. 513-397-5364
Attention: President

Either party may, by written notice to the other, as provided herein designate a new address to which notices to the party giving the notice shall thereafter be mailed.

3.9 FORCE MAJEURE. Providing Party shall not be liable for any delay or failure of performance to the extent such delay or failure is caused by circumstances beyond its reasonable control and that by the exercise of due diligence it is unable to prevent, provided that the party claiming excuse use its best efforts to overcome the same.

3.10 ENTIRETY OF AGREEMENT. This Agreement, the Plan of Reorganization and Distribution Agreement and the Ancillary Agreements set forth the entire agreement and understanding of the parties relating to the subject matter contained herein and merges all prior discussions between them, and neither party shall be bound by any representation other than as expressly stated in this Agreement or by a written amendment to this Agreement, the Plan of Reorganization and Distribution agreement and the Ancillary Agreements signed by authorized representatives of both parties.

3.11 SEVERABILITY. In the event any term of this Agreement is or becomes or is declared to be invalid or void by any court of competent

jurisdiction, such term or terms shall be null and void and shall be deemed deleted from this Agreement, and all the remaining terms of the Agreement shall remain in full force and effect.

3.12 GOVERNING LAW. The validity, performance and construction of this Agreement shall be governed by the laws of Ohio.

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IN WITNESS WHEREOF, the parties have executed this Services Agreement as of the date first above written.

CINCINNATI BELL INC.

By: /s/ JOHN T. LAMACCHIA

John T. LaMacchia, President
and Chief Executive Officer

CONVERGYS CORPORATION

By: /s/ JAMES F. ORR

James F. Orr, President
and Chief Executive Officer

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TAX SEPARATION AND ALLOCATION AGREEMENT

This Tax Separation and Allocation Agreement (the "Agreement") is made as of July 20, 1998 by and among Cincinnati Bell Inc., an Ohio corporation ("CBI"), and Convergys Corporation, an Ohio corporation ("Convergys") (together with its subsidiaries existing immediately following the Distribution, the "Convergys Group").

WHEREAS, CBI is the common parent of an Affiliated Group of corporations engaged in separate and distinct lines of business, including subsidiaries engaged in the telecommunication business and subsidiaries engaged in information businesses that rely heavily on the latest technological advances.

WHEREAS, CBI has formed Convergys as a holding company and transferred to it all of the subsidiaries that comprise the Convergys Group.

WHEREAS, CBI intends to have Convergys issue slightly less than 20 percent of the shares of Convergys to the public leaving CBI as the owner of more than 80 percent of the shares of Convergys.

WHEREAS, soon after such sale, CBI proposes to distribute to its shareholders all of the shares of Convergys that it owns in a distribution that is intended to be tax-free pursuant to the provisions of Section 355 of the Code.

WHEREAS, CBI and Convergys have entered into a Distribution Agreement (as defined below) providing for the distribution of all of the Convergys stock owned by CBI to its shareholders in accordance with the Distribution Agreement; and

WHEREAS, CBI and Convergys, for themselves and their respective Groups, desire to set forth their agreement regarding the allocation between CBI and the Convergys Group of all responsibilities, liabilities and benefits pertaining to Taxes paid or payable by either of them for all Taxable periods.

NOW, THEREFORE, in consideration of their mutual promises, the parties hereby agree as follows:

1. DEFINITIONS. As used in this Agreement:

a. "Affiliate" shall mean, with respect to any person, any other person means any person, corporation, partnership or other entity directly or indirectly controlling, controlled by or under common control with such person.

b. "Affiliated Group" shall mean an affiliated group of corporations within the meaning of Section 1504(a) of the Code for the taxable period in question.

c. "Carryback or Carryforward Item" shall have the meaning set forth in Section 2d.

d. "CBI-Caused Taxes" means any liability for Taxes, including interest and penalties, incurred by the CBI Group or the Convergys Group arising from or attributable to any of the transactions that are directly related to the Distribution failing to qualify under Section 355 of the Code, but only if such failure (i) was caused by an act that occurred after the Distribution in which CBI or a member of the CBI Group participated, or (ii) was otherwise attributable to one or more of the representations contained in Section 5b or Section 5c hereof failing to be true as of the date of this Agreement.

e. "CBI Group" shall mean, with respect to any taxable period, the corporations that were members of the CBI Consolidated Group during such period, exclusive of the corporations that are included in the Convergys Group.

f. "Code" shall mean the Internal Revenue Code of 1986, as amended.

g. "Consolidated Group" shall mean those corporations that presently are eligible to file certain tax returns on an affiliated or consolidated basis with CBI as the common parent.

h. "Consolidated Return" shall mean the consolidated federal income Tax return of CBI including the Convergys Group and all other subsidiaries of CBI for the period commencing January 1, 1998 through and including the Distribution Date.

i. "Controlled Return" shall mean (a) the Consolidated Return, (b) any Prior Period Consolidated Return and (c) any combined returns with respect to 1998 and all prior years.

j. "Convergys-Caused Taxes" means any liability for Taxes, including interest and penalties, incurred by the CBI Group or the Convergys Group arising from or attributable to any of the transactions that are directly related to the Distribution failing to qualify under Section 355 of the Code, but only if

such failure (i) was caused by an act that occurred after the Distribution in which Convergys or a member of the Convergys Group participated, or (ii) was otherwise attributable to one or more of the representations contained in Section 5a or Section 5c hereof failing to be true as of the date of this Agreement.

k. "Convergys Group" shall have the meaning set forth in the first paragraph of this Agreement.

l. "Convergys Tax Liability" shall mean, with respect to any Consolidated Group in any Taxable Period, the Convergys Group's share of the Tax liability of such Consolidated Group, computed as if the relevant members of the Convergys Group were not and never were part of such Consolidated Group, but rather, were a separate Affiliated Group of corporations filing a similar group Return (provided, however, any transaction with any member of the CBI Group included in such Consolidated Group shall not be taken into account until the first taxable

period in which such transaction is required to be taken into account for Tax purposes under applicable law). Such computation shall be made (i) without regard to the income, deductions (including the net operating loss and capital loss deductions) and credits in any year of any member of the CBI Group, except to the extent that a payment was made to any member of the CBI Group with respect thereto, (ii) by taking account of any Tax Asset of the Convergys Group, including net operating loss and capital carryforwards and carrybacks and minimum Tax credits from earlier years of the Convergys Group except to the extent that such losses, carryforwards, carrybacks or credits have been used by any member of the CBI Group, (iii) by applying the maximum applicable statutory Tax rate in effect under applicable law during the relevant year, and (iv) by reflecting the positions, elections and accounting methods used by the Consolidated Group preparing the relevant return for the Consolidated Group.

m. "Distribution" shall mean the distribution by CBI of all shares of Convergys that are held by CBI to CBI's shareholders pursuant to the Distribution Agreement.

n. "Distribution Agreement" shall mean the Plan of Reorganization and Distribution Agreement dated _____, 1998 between CBI and Convergys.

o. "Distribution Date" shall mean the date on which the Distribution shall be effected.

p. "Final Determination" shall mean the final resolution of liability for any Tax for a taxable period, (i) by the Internal Revenue Service Form 870 or Form 870-AD (or any successor forms thereto), on the date of acceptance by or on behalf of the taxpayer, or by comparable form under the laws of other jurisdictions; except that a Form 870 or Form 870-AD or comparable form that reserves (whether by its terms or by operation of law) the right of the taxpayer to file a claim for refund and/or the right of the taxing authority to assert a further deficiency shall not constitute a Final Determination; (ii) by decision, judgment, decree or other order by a court of competent jurisdiction, which has become final and unappealable; (iii) by a closing agreement or accepted offer in compromise

under Section 7121 or Section 7122 of the Code, or comparable agreements under the laws of other jurisdictions; (iv) by any allowance of a refund or credit in respect of an overpayment of Tax, but only after the expiration of all periods during which such refund may be recovered (including by way of offset) by the Tax imposing jurisdiction; or (v) by any other final disposition, including by reason of the expiration of the applicable statute of limitations or by mutual agreement of the parties.

q. "Group" shall mean the Convergys Group and/or the CBI Group.

r. "Indemnitor" shall have the meaning set forth in Section (6)(d)(ii).

s. "Prior Period Consolidated Return" shall mean any consolidated Tax Return of CBI filed, or to be filed, for taxable years prior to the Consolidated Return year.

t. "Return" shall mean any tax return, statement, report, form, election or claim (including all exhibits and schedules thereto) required to be filed with a Taxing Authority with respect to any Taxes.

u. "Tax" (and the correlative meaning, "Taxes," "Taxing," "Taxable") shall mean any income, alternative or add-on minimum tax, gross income, gross receipts, sales, use, ad valorem, franchise, profits, license, withholding, payroll, employment, environmental, excise, severance, stamp, transfer, recording occupation, premium, property, value ad, winfall profit tax, custom duty, or other tax of any kind whatsoever, together with any interest and penalty, addition to tax or additional amount imposed by any governmental authority (a "Taxing Authority") responsible for the imposition of any such (domestic or foreign).

v. "Tax Administrators" shall mean the person designated by CBI as having primary responsibility for tax matters for the CBI Group and the person designated by Convergys as having primary responsibility for tax matters for the Convergys Group, or such other persons as may be mutually agreed upon by CBI and Convergys.

w. "Tax Asset" shall mean any net operating loss, net capital loss, tax credit, or any other loss, credit, or Tax attribute, which could reduce any Tax.

x. "Tax Benefit" shall have the meaning set forth in Section 3d.

y. "Tax CPA" shall mean PricewaterhouseCoopers LLP or a comparable firm of internationally recognized certified public accountants mutually agreed upon by CBI and Convergys.

Any term used in this Agreement that is not defined in this Agreement shall, to the extent the context requires, have the meaning assigned to it in the Code or the applicable Treasury regulations thereunder (as interpreted in administrative pronouncements and judicial decisions) or in comparable provisions of applicable law.

2. ADMINISTRATIVE AND COMPLIANCE MATTERS.

a. TAX SHARING AGREEMENTS. Except for this Agreement and except as

provided in this Agreement, any and all existing Tax allocation agreements or arrangements, written or unwritten, between any member of the CBI Group and any member of the Convergys Group shall terminate upon completion of the Distribution.

b. FILING OF RETURNS.

i. Consolidated and Prior Period Consolidated Returns. CBI and Convergys will join, and will cause each of their respective subsidiaries to join, in the

Consolidated Return to the extent each is eligible to join in such Return under the provisions of the Code or the regulations thereunder. Each of the Groups will prepare separate returns for members of such Groups. The consolidation of those returns will be done under the direction of the Tax Administrators, who will cause the Consolidated Return to be timely prepared and filed. The Tax Administrators shall make the Consolidated Return available to the chief financial officers of CBI and Convergys for their review prior to filing and shall furnish them a copy of the return promptly after it is filed. In addition, prior to filing such Return, the consolidation will be reviewed by the Tax CPA whose costs will be borne equally by CBI and Convergys. For each Taxable period, the Tax liability of each member shall be computed consistent with past practice and in accordance with the terms of the Tax Allocation Agreement among the members of the CBI Affiliated Group that was signed by CBI on October 29, 1987 and by Cincinnati Bell Information Systems Inc. on November 3, 1987.

ii. RETURN INFORMATION. CBI and Convergys agree that each will cause their respective chief financial officers to furnish to the Tax Administrators on a timely basis such information, schedules, analyses and any other items as may be necessary to prepare the Consolidated Return. Such information, schedules, analyses and other items will be prepared in a manner consistent with existing practice and in accordance with the work plan scheduled to be agreed upon by the Tax Administrators and the chief financial officers of CBI and Convergys, acting reasonably, as soon as practicable after the Distribution Date.

iii. FILING PROCEDURES. The parties will execute and deliver all documentation reasonably required (including powers of attorney, if requested) to enable the Tax Administrators to timely file, and to take all action necessary or incidental to the filing of, the Consolidated Return or any amendment of the Consolidated Return or any prior period of the Consolidated Return. CBI agrees that an officer of CBI will timely sign the Consolidated Return (and any Prior Period Consolidated Return which has not been filed as of the Distribution Date) and any amendment of the Consolidated Return and any Prior Period Consolidated Return after (a) receiving written confirmation from the Tax Administrators that the Tax Administrators have reviewed such return and consulted with the Tax CPA and that it is in order for filing, (b) such officer has reviewed such Consolidated

Return, and (c) any reasonable questions raised by such officer in reviewing such return have been resolved satisfactorily.

iv. COMBINED STATE TAX RETURNS. The Tax Administrators will cause any combined state tax returns with respect to 1998 or any prior Tax year and any amendment of such returns to be timely prepared, filed and paid, utilizing procedures substantially similar to those provided in Section 2

and Section 3 of this Agreement with respect to the Consolidated Return and Prior Period Consolidated Returns.

v. OTHER TAX RETURNS. The parties and their respective subsidiaries shall timely prepare and file Tax Returns (other than Controlled Returns) in those jurisdictions in which they are required to do so in a manner consistent with past practice. Taxes for any Return filed by one of the Companies pursuant to this section shall be paid or caused to be paid by the party responsible under this section for filing such return. The Tax Administrators shall have the right to approve any Tax returns filed pursuant to this section with regard to such filing.

c. TAX PAYMENTS.

i. INTERIM PAYMENTS. Following the Distribution Date, at the request of the Tax Administrators, Convergys, on behalf of the Convergys Group, shall make payment to CBI equal to the excess of the estimated liability of the Convergys Group for the Tax owing under the Consolidated Return (as reasonably determined by the Tax Administrators and the Tax CPA) over the prior payments made by such Group in respect of such Tax. On or before March 15, 1999, an interim Tax settlement payment shall be made to or by CBI to the Convergys Group, as the case may be, equal to the difference between the estimated liability of the Convergys Group under the Consolidated Return and the amounts previously paid by the Convergys Group with respect to such Return. Such amounts will be reasonably determined by the Tax Administrators and the Tax CPA.

ii. ADJUSTING PAYMENT. Based upon computations to be prepared by the effected Group and approved by the Tax Administrators and the Tax CPA, an adjusting payment equal to the difference between amounts previously paid with respect to estimated taxes for the Consolidated Return shall be made by one Group to the other on or before October 15, 1999 based on the Consolidated Return as filed.

d. CARRYBACKS AND CARRYFORWARDS. If, for any Taxable period, a member of the Convergys Group incurs a net operating loss, net capital loss, unused general business tax credit or unused foreign tax credit (a "Carryback or Carryforward Item"), that may be carried back or carried forward to a Taxable year of the CBI Group or the CBI Affiliated Group, CBI shall pay to Convergys an amount equal to the amount by which the Tax liability of the CBI Group is reduced by such Carryback or

Carryforward Item. Likewise, if, for any Taxable period, a member of the CBI Group incurs Carryback or Carryforward Item that may be carried back or carried forward to a Taxable year of the CBI Affiliated Group, Convergys shall pay to CBI an amount equal to the amount by which the Tax liability of the Convergys Group is reduced by such Carryback or Carryforward Item.

e. AGENCY. Convergys irrevocably designates the Tax Administrator designated by CBI (and shall cause each member of the Convergys Group to irrevocably designate such Tax Administrator) as its agent and attorney-in-fact (and shall execute any necessary powers of attorney) for the purpose of taking any and all actions necessary or incidental to the filing of Returns for (i) any period during which any member of the Convergys Group or any predecessor qualified to file a consolidated, combined, unitary or similar Return with any member of the CBI Group, and (ii) any period ending on or before the Distribution Date. CBI shall keep Convergys reasonably informed of, and shall reasonably consult with Convergys with respect to, all actions to be taken on behalf of any member of the Convergys Group. CBI and Convergys will each furnish the other any and all information that the other may reasonably request in order to carry out the provisions of this Agreement to determine the amount of any Tax liability.

3. INDEMNITIES.

a. CBI INDEMNITY. CBI and each member of the CBI Group jointly and severally indemnify Convergys, its shareholders, and the members of the Convergys Group that were members of a Consolidated Group that included such Convergys Affiliate against and hold them harmless from:

i. Any Tax liability of the CBI Group and any CBI-Caused Tax Liability;

ii. Any liability or damage resulting from a breach by CBI or any member of the CBI Group of any representation or covenant made by CBI herein;

iii. Any Tax liability resulting from the Distribution and attributable to any action of CBI or any member of the CBI Group; and

iv. All liabilities, costs, expenses (including, without limitation, reasonable expenses of investigation and attorneys' fees and expenses), losses, damages, assessments, settlements or judgments arising out of or incident to the imposition, assessment or assertion of any Tax liability or damage described in (i), (ii), or (iii), including those incurred in the contest in good faith and appropriate proceedings relating to the imposition, assessment or assertion of any such Tax, liability or damage.

b. CONVERGYS INDEMNITY. Convergys and each member of the Convergys Group will jointly and severally indemnify CBI, its shareholders, and the members of the CBI Group that were members of a Consolidated Group that included such CBI Affiliate against and hold them harmless from:

i. Any Convergys Tax Liability and Convergys-Caused Tax Liability;

ii. Any liability or damage resulting from a breach by Convergys or any member of the CBI Convergys of any representation or covenant made by Convergys herein;

iii. Any Tax liability resulting from the Distribution and attributable to any action of Convergys or any member of the Convergys Group; and

iv. All liabilities, costs, expenses (including, without limitation, reasonable expenses of investigation and attorneys' fees and expenses), losses, damages, assessments, settlements or judgments arising out or incident to the imposition, assessment or assertion of any Tax liability or damage described in (i), (ii) or (iii) including those incurred in the contest and good faith and appropriate proceedings relating to the imposition, assessment or assertion of any such Tax, liability or damage.

c. DISCHARGE OF INDEMNITY. CBI, Convergys and the members of the CBI Group and the Convergys Group, respectively, shall discharge their obligations under Sections 3a and 3b, hereof, respectively, by paying the relevant amount within thirty days of demand therefor. The CBI Group shall be entitled to make such a demand at any time after a member of the CBI Group makes a payment or deposit in respect of a Tax for which any member of the Convergys Group has an obligation under Section 3b. The Convergys Group shall be entitled to make such a demand at any time after a Final Determination of an obligation of any member of the CBI Group under Section 3a. Any such demand shall include a statement showing the amount due under Section 3a or Section 3b, as the case may be. If either Convergys, CBI or any member of the Convergys Group or CBI Group disputes in good faith the fact or the amount of its obligation, then no payment of the amount of the dispute shall be required until any such good faith dispute is resolved in accordance with Section 7 hereof; provided, however, that any amount not paid within thirty days of demand shall bear interest as provided in Section 6e.

d. TAX BENEFITS. If an indemnification obligation of any member of the CBI Group or any member of the Convergys Group, as the case may be, under this Section 3, arises in respect of an adjustment that makes allowable to a member of the CBI Group or a member of the Convergys Group, respectively, any deduction, amortization, exclusion from income or other allowance (a "Tax Benefit") that would not, but for such adjustment, be allowable, then any payment by any member of the CBI Group or Convergys Group, respectively, pursuant to this Section 3 shall be an amount equal to (x) the amount otherwise due but for this subsection 3d, minus (y) the present value of the product of the Tax Benefit multiplied (i) by the maximum applicable federal, foreign or state, as the case may be, corporate tax rate in effect at the time such Tax Benefit becomes allowable to a member of the CBI Group or member of the Convergys Group (as the case may be), or (ii) in the case of a Tax Credit, by 100%. The present value of such product shall be determined by discounting such product from the time

that the Tax Benefit becomes allowable at a rate equal to the applicable federal rate, as set forth from time to time in the Internal Revenue Bulletin.

e. CALCULATION OF TAX. For purposes of this Section 3, in the case of Taxes that are imposed on a periodic basis and are payable for a Tax period that includes (but does not end on) the Distribution Date, a portion of such Tax related to the portion of such Tax period ending on the Distribution Date shall (i) in the case of any Taxes other than Taxes based upon or related to income, sales, gross receipts, wages, capital expenditures, or expenses, be deemed to be the amount of such Tax for the entire Tax period multiplied by a fraction the numerator of which is the number of days in the Tax period ending on the Distribution Date and the denominator of which is the number of days in the entire Tax period, and (ii) in the case of any Tax based upon or related to income, sales, gross receipts, wages, capital expenditures or expenses, be deemed equal to the amount that would be payable if the relevant Tax period ended on the Distribution Date.

f. GUARANTEES. CBI or Convergys, as the case may be, shall guarantee the obligations of each member of the CBI Group or the Convergys Group, respectively, under this Agreement.

4. TAX DEFICIENCIES AND CLAIMS.

a. Except as otherwise provided in Section 4b, the Tax Administrators shall control all audits, examinations and proceedings with respect to Taxes with respect to any Controlled Returns. The Tax Administrators shall have overall responsibility for obtaining and coordinating all responses in connection with any such proceedings with respect to any Controlled Returns. To the extent that any such audit affects one of the Groups, such Group shall prepare and submit such responses in a manner consistent with prior practice, provided, however, that the Tax Administrators shall have the right to approve all such responses prior to their submission. Adjustments affecting solely the Taxable income, loss or deductions of, or Tax credits generated by any Group, may be agreed upon or settled only upon approval of that Group, which approval shall not be unreasonably withheld or delayed.

b. Any proposed or actual income Tax deficiencies or refund claims, with respect to the Consolidated Return or any Prior Period Consolidated Return that arises from the business activities of a particular member and that do not otherwise affect any Controlled Return, may be defended or prosecuted by that member at its own cost and expense and with counsel and accountants of its own selection. Each of the Tax Administrators may participate in any such prosecution or defense at the expense of the respective company employing the Tax Administrator. A member may not compromise or settle any such tax deficiency or any refund claim without the prior written consent of the Tax Administrators, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, no member shall have a right to an extension of the statute of limitations or to any waiver of any other

procedural safeguard without the prior written consent of the Tax Administrators. The limitation expressed in the preceding sentence applies, but is not limited to, the filing of a petition in the United States Tax Court.

c. In connection with the defense of any audit of any Controlled Return, except with regard to claims described in Section 4b, above, the Tax Administrators may retain advisors and charge the reasonable cost of their services to the appropriate Group or Groups.

d. Refunds for any year will be allocated among the members in the same manner as the Tax liability to which the refund relates was allocated. If any member of the Convergys Group desires to file a claim for refund with respect to a Taxable year for which it was a member of the Consolidated Group, it shall prepare and submit to CBI the claim for refund and a statement specifying when the statute of limitations for filing the claim will expire. The appropriate party to file such claim, under the supervision of the Tax Administrators, will file the claim as soon as practicable and will take such other action as may be appropriate. Such member will reimburse CBI for all costs incurred by CBI in complying with this section 4d.

5. REPRESENTATIONS AND COVENANTS.

a. CONVERGYS REPRESENTATIONS. Convergys, for itself and on behalf of each member of the Convergys Group represents that, as of the date hereof, and covenants that, on the Distribution Date, there is no plan or intention (i) to liquidate Convergys or to merge or consolidate Convergys, or any member of the Convergys Group conducting an active trade or business relied upon in connection with the restructuring or the Distribution, with any other person subsequent to the Distribution, (ii) to sell, or otherwise dispose of any asset, subsequent to the Distribution, in a manner that would result in any increased Tax liability or reduction of any Tax Asset of the CBI Group or any member thereof, (iii) to take any action inconsistent with the information or representations furnished to the Internal Revenue Service or any other Tax Authority in connection with a request for a private letter ruling (or any comparable pronouncement by the Taxing Authority under applicable law) with respect to the Distribution or the restructuring, (iv) to enter into any negotiations, agreements, or arrangements with respect to transactions or events (including stock issuances, pursuant to the exercise of options or otherwise, capital contributions or acquisitions, but not including the Distribution) which, if treated as consummated before the proposed Distribution, would result in CBI not having "control" of Convergys within the meaning of Section 355(a)(1)(A) and Section 368(c) of the Code at the time of the Distribution, (v) to make any change in equity structure that would result in CBI not having such "control" (except for the Distribution), (vi) to repurchase stock of Convergys in a manner contrary to the requirements of Revenue Procedure 96-30 or (vii) to take any action that contravenes any agreement with a Taxing Authority to which any member of the Convergys Group or the CBI Group is a party.

b. CBI REPRESENTATIONS. CBI, for itself and on behalf of each member of the CBI Group, represents that, as of the date hereof, and covenants that, on the Distribution Date, there is no plan

or intention (i) to liquidate CBI or to merge or consolidate CBI, or any member of the CBI Group conducting an active trade or business relied upon in connection with the restructuring or the Distribution, with any other person subsequent to the Distribution, (ii) to sell, or otherwise dispose of any asset, subsequent to the Distribution, in a manner that would result in any increased Tax liability or reduction of any Tax Asset of the Convergys Group or any member thereof, (iii) to take any action inconsistent with the information or representations furnished to the Internal Revenue Service or any other Tax Authority in connection with a request for a private letter ruling (or any comparable pronouncement by the Taxing Authority under applicable law) with respect to the Distribution or the restructuring, or (iv) to take any action that contravenes any agreement with a Taxing Authority to which any member of the Convergys Group or the CBI Group is a party.

c. CBI AND CONVERGYS REPRESENTATIONS. Each of CBI, Convergys and the members of the CBI Group and the Convergys Group, respectively, represent that, as of the date hereof, and covenants that on the Distribution Date, neither Convergys, CBI nor the members of the Convergys Group or CBI Group, respectively, as applicable, is aware of any present plan or intention by the current shareholders of CBI to sell, exchange, transfer by gift, or otherwise dispose of any of their stock in, or securities of, CBI or Convergys subsequent to the Distribution. In making this representation, the parties hereto recognize that the shares of CBI are, and the shares of Convergys will be, listed on certain stock exchanges and regular public trading of such shares can be expected.

6. COOPERATION.

a. ONGOING COOPERATION. CBI and Convergys will cooperate, and cause each member and their respective Groups to cooperate, at such time and to the extent reasonably requested by the other party in connection with all matters subject to this Agreement. Such cooperation will include, without limitation:

i. The retention and provision on reasonable request of any and all information including books, records, documentation or other information pertaining to Tax matters relating to the Groups, any necessary explanations of information, and access to personnel, until one year after the expiration of the applicable statute of limitations (giving effect to any extension, waiver, or mitigation thereof);

ii. The execution of any document that may be necessary or helpful with any required Return or in connection with any audit, proceeding, suit or action; and

iii. The use of the party's best efforts to obtain any documentation from a governmental authority or a third party that may be necessary or helpful in connection with the foregoing.

b. INFORMATION. CBI and Convergys shall keep each other fully informed with respect to any material development relating to the matters subject to this Agreement.

c. TAX ATTRIBUTES. CBI and Convergys shall promptly advise each

other with respect to any proposed Tax adjustments relating to a Consolidated Group that are the subject of an audit or investigation, or are the subject of any proceeding or litigation, and it may affect any Tax liability or any Tax attribution of CBI, Convergys, the CBI Group, the Convergys Group or any member of the CBI Group or the Convergys Group.

d. AUDITS.

i. HANDLING OF AUDITS. Notwithstanding anything in this Agreement to the contrary, the Tax Administrators shall be kept apprised of all audits. CBI shall have full control over all matters relating to any Return or any Tax proceeding relating to any Tax matters of at least one member of the CBI Group. Convergys shall have full control over all matters relating to any Return or any Tax Proceeding relating to any Tax matters of at least one member of the Convergys Group. In the event that an audit relates to any Tax matters of members from both the CBI Group and the Convergys Group, oversight of such audit will be handled by the Tax Administrators in consultation with the chief financial officers of each of the respective Groups.

ii. SETTLEMENTS. No settlement of any Tax proceeding relating to any matter that would cause a payment obligation under Sections 3a or 3b shall be accepted or entered into by or on behalf of the party entitled to receive a payment under Section 3a or 3b, whichever is applicable, unless a party ultimately responsible for such payment under either Section 3a or 3b, whichever is applicable (the "Indemnitor"), consents thereto in writing, which consent shall not be unreasonably withheld or delayed.

iii. NOTICE. The indemnified party agrees to give notice to the Indemnitor of the assertion of any claim, or the commencement of any suit, action or proceeding in respect of which indemnity may be sought hereunder within thirty days of such assertion or commencement, or such other time that would allow the Indemnitor to timely respond to such claim, suit, action or proceeding.

iv. OTHER ACTIONS. With respect to Returns relating to Taxes solely attributable to the CBI Group or the Convergys Group, as the case may be,

CBI and the members of the CBI Group, or Convergys and the members of the Convergys Group, as the case may be, shall have full control over all matters relating to any Tax proceedings in connection therewith.

e. PAYMENTS. All payments to be made under this Agreement shall be made in immediately available funds. Except as otherwise provided, all payments required to be made pursuant to this Agreement will be due thirty days after the receipt of notice of such payment or, where no notice is required, thirty days after the fixing of liability or the resolution of a dispute. Any payment that is not made when due shall bear interest at a rate equal to the "prime rate" then in effect, as quoted in the Wall Street Journal, plus 2%.

f. TAX RESERVES. In connection with the Distribution, the Tax Administrators will oversee the allocation of the tax reserves shown on the balance sheet of CBI immediately prior to the Distribution Date among the members of the CBI Group and the Convergys Group in a manner that accurately reflects both the parties to whom the reserves should be allocated and the amount of reserves that should be allocated to each of such parties.

7. DISPUTE RESOLUTION. In the event of a disagreement between the Tax Administrators or between the CBI Group or the Convergys Group, all computations or recomputations of any Tax liability, Tax rate or other similar items, and all determinations of the amount of payments or repayments will be reviewed by the Tax CPA, with the cost of such review being shared equally by the disputing Groups. The decision of the Tax CPA shall be binding on the parties.

8. COSTS AND EXPENSES. Except as expressly set forth in this Agreement, each party will bear its own costs and expenses incurred pursuant to this Agreement. Notwithstanding anything to the contrary in this Agreement, CBI and Convergys will share equally the cost of the Tax CPA connected with reviewing the Consolidated Return.

9. EFFECTIVENESS. This Agreement will become effective upon the consummation of the Distribution. All rights and obligations arising hereunder with respect to a pre-Distribution Tax period will survive until they are fully effectuated or performed and, provided further, notwithstanding anything in this Agreement to the contrary, this Agreement will remain in effect and its provisions will survive for one year after the full period of all applicable statutes of limitation (giving effect any extension, waiver or mitigation thereof) and, with respect to any claim hereunder initiated prior to the end of such period, and until such claim has been satisfied or otherwise resolved.

10. MISCELLANEOUS.

a. Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which will be deemed an original, and which together will constitute one and the same instrument.

b. AMENDMENTS. This Agreement may be amended in writing duly executed by all parties hereto.

c. GOVERNING LAW. This Agreement will be construed and enforced in accordance with the laws of the State of Ohio.

d. BENEFICIARIES. This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, by merger, acquisition of assets or otherwise. This Agreement is not intended to benefit any person other than the parties hereto and such successors and assigns, and no such other person will be a third-party beneficiary hereof.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the 20th day of July, 1998.

CINCINNATI BELL INC. CONVERGYS CORPORATION

By: /s/ JOHN T. LAMACCHIA By: /s/ JAMES F. ORR

EMPLOYEE BENEFITS AGREEMENT

BETWEEN

CINCINNATI BELL INC.

AND

CONVERGYS CORPORATION

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EMPLOYEE BENEFITS AGREEMENT

This EMPLOYEE BENEFITS AGREEMENT, dated as of October 14, 1998, is by and between Cincinnati Bell Inc. ("CBI") and Convergys Corporation ("Convergys").

WHEREAS, CBI has determined to distribute to its shareholders all of the Convergys common shares owned by CBI (the "Distribution"); and

WHEREAS, in conjunction with the Distribution, the parties have agreed to enter into an agreement allocating assets, liabilities and responsibilities with respect to certain employee compensation and benefit programs;

NOW, THEREFORE, the parties agree as follows:

ARTICLE I

DEFINITIONS

For purposes of this Agreement the following terms shall have the following meanings:

1.1 AGREEMENT means this Employee Benefits Agreement.

1.2 CBI ENTITY means CBI and any corporation that is, at the relevant time, a direct or indirect subsidiary of CBI, except that, for periods beginning on and after the Distribution Date, the term "CBI Entity" shall not include a Convergys Entity.

1.3 CODE means the Internal Revenue Code of 1986, as amended, or any successor federal income tax law. Reference to a specific Code provision also includes any proposed, temporary, or final regulation in force under that provision.

1.4 CONVERGYS ENTITY means Convergys and any corporation that is, at the relevant time, a direct or indirect subsidiary of Convergys, Cincinnati Bell Information Systems Inc. and its direct and indirect subsidiaries and MATRIXX Marketing Inc. and its direct and indirect subsidiaries.

1.5 CONVERGYS INDIVIDUAL means any individual (a) who is either actively employed by or on leave of absence from a Convergys Entity on the Distribution Date; (b) who is transferred from a CBI Entity to a Convergys Entity on the Distribution Date or (c) who retired or separated from a Convergys Entity prior to the Distribution Date and has not been reemployed by a CBI Entity or Convergys Entity since retiring or separating. In addition, CBI and Convergys may designate, by mutual agreement, any other individual or group of individuals as Convergys Individuals.

1.6 DISTRIBUTION DATE means the date on which the Distribution occurs.

1.7 ERISA means the Employee Retirement Income Security Act of 1974, as amended. Reference to a specific provision of ERISA also includes any proposed, temporary, or final regulation in force under that provision.

1.8 IPO DATE means the date on which the initial public offering of Convergy's common shares is closed.

1.9 NON-EMPLOYEE DIRECTOR, when immediately preceded by "CBI," means a member of CBI's Board of Directors who is not an employee of a CBI Entity or a Convergys Entity. When immediately preceded by "Convergys," Non-Employee Director means a member of Convergys's Board of Directors who is not an employee of a CBI Entity or a Convergys Entity.

1.10 PLAN, when immediately preceded by "CBI" or "Convergys," means any plan, policy, program, payroll practice, on-going arrangement, contract, trust, insurance policy or other agreement or funding vehicle providing benefits to employees, former employees or Non-Employee Directors of a CBI Entity or a Convergys Entity, as applicable.

ARTICLE II
GENERAL PRINCIPLES

2.1 ASSUMPTION OF LIABILITIES. Convergys hereby assumes and agrees to pay, perform, fulfill and discharge, in accordance with their respective terms, all of the following (regardless of when or where such liabilities arose or arise or were or are incurred): (i) all liabilities, other than those arising out of or relating to workers' compensation claims, arising out of or relating to Convergys Individuals and their respective dependents and beneficiaries, in each case relating to, arising out of or resulting from

employment by a CBI Entity before becoming Convergys Individuals (including liabilities under CBI Plans and Convergys Plans); (ii) all other liabilities to or relating to Convergys Individuals and other employees or former employees of Convergys Entities, and their dependents and beneficiaries, to the extent relating to, arising out of or resulting from future, present or former employment with a Convergys Entity (including liabilities under CBI Plans and Convergys Plans) and (iii) all other liabilities relating to, arising out of or resulting from obligations, liabilities and responsibilities expressly assumed or retained by a Convergys Entity or a Convergys Plan pursuant to this Agreement.

2.2 CONVERGYS PARTICIPATION IN CBI PLANS.

(a) CBI'S GENERAL OBLIGATIONS AS PLAN SPONSOR. CBI shall continue through the Distribution Date to administer, or cause to be administered, in accordance with their terms and applicable law, the CBI Plans, and shall have the sole discretion and authority to interpret the CBI Plans as set forth therein. Before the Distribution Date, CBI shall not, without the prior consent of Convergys, amend any material feature of any CBI Plan in which a Convergys Entity is a participating company, except to the extent such amendment

would not affect any benefits of Convergys Individuals under such Plan or as may be necessary or appropriate to comply with any collective bargaining agreement or applicable law.

(b) CONVERGYS' GENERAL OBLIGATIONS AS PARTICIPATING COMPANY. Convergys shall perform with respect to its participation in the CBI Plans, and shall cause each other Convergys Entity that is a participating company in any CBI Plan to perform, the duties of a participating company as set forth in such Plans or any procedures adopted pursuant thereto, including: (i) assisting in the administration of claims, to the extent requested by the claims administrator of the applicable CBI Plan; (ii) cooperating fully with CBI Plan auditors, benefit personnel and benefit vendors; (iii) preserving the confidentiality of all financial arrangements CBI has or may have with any vendors, claims administrators, trustees or any other entity or individual with whom CBI has entered into an agreement relating to the CBI Plans; and (iv) preserving the confidentiality of participant health information (including health information in relation to FMLA leaves).

(c) TERMINATION OF PARTICIPATING COMPANY STATUS. Effective as of the Distribution Date, each Convergys Entity shall cease to be a participating company in the CBI Plans.

2.4 CONVERGYS PLANS. The Convergys Plans shall be, with respect to Convergys Individuals who are participating in CBI Plans, in all respects the successors in interest to, and shall not provide benefits that duplicate benefits provided by, the corresponding CBI Plans. CBI and Convergys shall agree on methods and procedures, including amending the respective plan documents, to prevent Convergys Individuals from receiving duplicative benefits from the CBI Plans and the Convergys Plans. With respect to Convergys Individuals, each Convergys Plan shall provide that all service, all compensation and all other benefit-affecting determinations that, as of the Distribution Date, were recognized under the corresponding CBI Plan shall, as of immediately after the Distribution Date, receive full recognition, credit, and validity and be taken into account under such Convergys Plan to the same extent as if such items occurred under such Convergys Plan, except to the extent that duplication of benefits would result. The provisions of this Agreement for the transfer of assets from certain trusts relating to CBI Plans to the corresponding trusts relating to Convergys Plans are based upon the understanding of the parties that each

such Convergys Plan will assume all liabilities of the corresponding CBI Plan to or relating to Convergys Individuals, as provided for herein. If any such liabilities are not effectively assumed by the appropriate Convergys Plan, then the amount of assets transferred to the trust relating to such Convergys Plan from the trust relating to the corresponding CBI Plan shall be recomputed, ab initio, as set forth below but taking into account the retention of such liabilities by such CBI Plan, and assets shall be transferred by the trust relating to such Convergys Plan to the trust relating to such CBI Plan so as to place each such trust in the position it would have been in, had the initial asset transfer been made in accordance with such recomputed amount of assets.

2.5 PORTABILITY OF BENEFITS. On or before the Distribution Date, CBI and Convergys may enter into an Interchange Agreement providing for (among other things) the portability of benefits and mutual recognition of service with respect to individuals who terminate employment with a CBI Entity and who become employees of a Convergys Entity during the six month period commencing on the Distribution Date or who terminate employment with a Convergys Entity and who become employees of a CBI Entity during such six month period.

ARTICLE III
DEFINED BENEFIT PLANS

3.1 ESTABLISHMENT OF MIRROR PENSION PLAN. Effective immediately after the Distribution Date, Convergys shall establish a qualified defined benefit pension plan (the "Convergys Pension Plan") for its eligible employees the provisions of which shall mirror the provisions of CBPP and CBMPP.

3.2 ASSUMPTION OF LIABILITIES BY CONVERGYS PENSION PLAN. Immediately after the Distribution Date, all liabilities to or relating to Convergys Individuals under CBPP and CBMPP (collectively, the "CBI Pension Plans"), shall cease to be liabilities of the CBI Pension Plans and shall be assumed by the Convergys Pension Plan.

3.3 CALCULATION OF CBMPP ASSET ALLOCATION.

(a) As soon as practicable after the Distribution Date, CBI shall cause to be calculated, for CBMPP and the Convergys Pension Plan, as of the Distribution Date:

(i) An "Initial Allocation Amount," which shall reflect a 75% probability that CBMPP and the Convergys Pension Plan assets at the end of ten years will each exceed the present value of all projected future benefit payments for each plan, with any difference (positive or negative) between these assets and the present value of projected future benefit payments at the end of ten years for the combined plans allocated between the plans on a proportional basis reflecting the present value of all projected future benefit payments at the end of ten years for each plan.

(ii) The Initial Allocation Amount for CBMPP and the Convergys Pension Plan shall be determined in a manner consistent with CBI's pension funding policy in effect on January 1, 1998, a summary of which is attached hereto.

(b) A "414(1)(1) Amount" for each of CBMPP and the Convergys Pension Plan shall be determined, which shall equal the minimum amount necessary to fully fund benefits under CBMPP and the Convergys Pension Plan on a "termination basis" (as that term is defined in Treas. Reg. Section 1.414(1)-1(b)(5)). The assumptions used in determining the 414(1)(1) Amounts shall be those used in the determination of the minimum required contribution

under ERISA for the Plan Year beginning January 1, 1998, except that the discount rate and mortality assumption shall be determined in accordance with Internal Revenue Code Section 414(1).

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(c) If the aggregate amount of the assets of CBMPP as of the Distribution Date is not less than the sum of the 414(1)(1) Amounts for CBMPP and the Convergys Pension Plan, then such assets shall be allocated between CBMPP and the Convergys Pension Plan in accordance with the following:

(i) If the Initial Allocation Amount is greater than or equal to the 414(1)(1) Amount for CBMPP, and the Initial Allocation Amount is greater than or equal to the 414(1)(1) Amount for the Convergys Pension Plan, then the amounts of assets allocated to CBMPP and the Convergys Pension Plan shall equal their respective Initial Allocation Amounts.

(ii) If the Initial Allocation Amount is greater than or equal to the 414(1)(1) Amount for CBMPP, but the Initial Allocation Amount is less than the 414(1)(1) Amount for the Convergys Pension Plan, then the amount of assets allocated to the Convergys Pension Plan shall equal the 414(1)(1) Amount for the Convergys Pension Plan, and the amount of assets allocated to CBMPP shall equal the excess of (x) the total amount of assets, as of the Distribution Date, of CBMPP over (y) the 414(1)(1) Amount for the Convergys Pension Plan.

(iii) If the Initial Allocation Amount is less than the 414(1)(1) Amount for the CBMPP, but the Initial Allocation Amount is greater than or equal to the 414(1)(1) Amount for the Convergys Pension Plan, then the amount of assets allocated to CBMPP shall equal the 414(1)(1) Amount for CBMPP, and the amount of assets allocated to the Convergys Pension Plan shall equal the excess of (x) the total amount of assets, as of the Distribution Date, of CBMPP over (y) the 414(1)(1) Amount for CBMPP.

(d) If the aggregate amount of the assets of CBMPP as of the Distribution Date is less than the sum of the 414(1)(1) Amounts for CBMPP and the Convergys Pension Plan, then such assets shall be allocated between CBMPP and the Convergys Pension Plan as follows:

(i) CBI and Convergys shall obtain a quote from a mutually agreeable insurance company for the provision of immediate and deferred annuities payable under CBMPP and the Convergys Pension Plan for all accrued benefits under CBMPP as of the Distribution Date.

(ii) If the aggregate amount of assets of the Distribution Date is not less than the amount of such quote, the amount of assets allocated to CBMPP and the Convergys Pension Plan shall be determined in accordance with Subsection (c) above, except that, in making that determination, the amount of such quote for CBMPP and the Convergys Pension Plan shall be substituted for the 414(1)(1) Amount for each plan.

(iii) If the aggregate amount of assets as of the Distribution Date is less than the amount of such quote, the amount of assets allocated to CBMPP and the Convergys Pension Plan shall be determined on a plan termination basis in accordance with ERISA Section 4044 using the same assumptions as those used in computing the 414(1)(1) Amounts.

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(e) For purposes of this Section 3.3, references to the "Convergys Pension Plan" shall mean that portion of the Convergys Pension Plan corresponding to CBMPP.

3.4 CALCULATION OF CBPP ASSET ALLOCATION. The asset allocation of the CBPP and the Convergys Pension Plan shall be determined by applying Section 3.3 but substituting "CBPP" for "CBMPP" wherever it appears in that Section.

3.5 TRANSFER OF CONVERGYS PENSION PLAN'S INTERESTS FROM THE CBI PENSION TRUST TO THE CONVERGYS PENSION TRUST. The actual segregation of the interests of the Convergys Pension Plan in Cincinnati Bell Pension Plans Trust (the "CBI Pension Trust") into separate trust accounts, and the transfer of the Convergys Pension Plan's allocable share of the assets from the CBI Pension Trust to the trust established in conjunction with the Convergys Pension Plan (the "Convergys Pension Trust"), shall occur as soon as practicable after the calculation of such interests pursuant to Sections 3.3 and 3.4. The assets to be transferred from the CBI Pension Trust to the Convergys Pension Trust share shall consist of a pro rata share of each class of assets in the CBI Pension Trust, unless CBI and Convergys agree otherwise.

ARTICLE IV
DEFINED CONTRIBUTION PLANS

4.1 RETIREMENT SAVINGS PLANS. Effective as of the Distribution Date, (a) a Convergys Savings Plan designated by Convergys shall assume and be solely responsible for all liabilities relating to each Convergys Individual under any CBI Savings Plan and (b) CBI shall cause the accounts of such Convergys Individual under each CBI Savings Plan to be transferred to the Convergys Savings Plan designated by Convergys and Convergys shall cause such transferred accounts to be accepted by the Convergys Savings Plan. CBI and Convergys shall take such action as may be needed to cause the assets associated with each transferred account to be transferred from the trust established in conjunction with the CBI Savings Plan to the trust established in conjunction with the Convergys Savings Plan. For purposes of this Section 4.1, "CBI Savings Plan" means Cincinnati Bell Inc. Savings and Security Plan and "Convergys Plan" means CBIS Retirement and Savings Plan and MATRIXX Marketing Inc. Profit Sharing/401(k) Plan.

4.2 CBI ESOP. The Cincinnati Bell Inc. Employee Stock Ownership Plan (the "CBI ESOP") shall be solely responsible for all liabilities relating to Convergys Individuals under the CBI ESOP. The parties acknowledge that, as a result of the Distribution, the CBI ESOP will, after the Distribution Date, hold both CBI common shares and Convergys common shares and that, in order to continue to qualify as an employee stock ownership plan, the CBI ESOP will be required to dispose of the Convergys common shares and reinvest in CBI common shares. The parties further acknowledge that applicable law generally prohibits such plans from holding securities that are not "qualifying employer securities" within the meaning of Code Section 409 for more than a reasonable time after the Distribution Date unless the Internal Revenue Service ("IRS") grants an extension of time. Accordingly, CBI shall request the IRS to grant an

extension of such holding period as its financial advisors shall deem prudent to allow the CBI ESOP to dispose of the Convergys common shares received by it as a result of the Distribution and, to reinvest in CBI common shares, in a manner consistent with the best interests of the ESOP participants. It also is understood that, for purposes of the CBI ESOP, each Convergys Individual will be deemed to have terminated employment on the Distribution Date.

ARTICLE V
HEALTH AND WELFARE PLANS

5.1 TRANSFER OF RETIREMENT FUNDING ACCOUNT ASSETS. This Section 5.1 shall apply to the CBI group life insurance contract that has a retirement

funding account (the "CBI RFA") maintained for the purpose of accumulating, through employer contributions in advance of employee retirements, a fund to be used to pay all or a portion of the costs for continuing life insurance protection for employees after their retirement. As soon as practicable after the Distribution Date, there shall be transferred to the retirement funding account of a Convergys Entity group life insurance contract an amount of assets having a fair market value as of the Distribution Date equal to the product obtained by multiplying (a) the present value, as of the Distribution Date, of the future benefit obligation with respect to Convergys Individuals to be discharged from the CBI RFA, divided by the present value of the future benefit obligations with respect to all individuals whose benefits are to be discharged from the CBI RFA assets as of the Distribution Date times (b) the fair market value of all CBI RFA assets as of the Distribution Date. CBI and Convergys shall adopt, and shall use their reasonable best efforts to cause their insurers to adopt, procedures to implement such asset transfers in a reasonable and expeditious manner that is consistent with the underlying group life insurance contracts and applicable legal requirements. Nothing in this Agreement shall be interpreted to provide that any assets so transferred have reverted to CBI or Convergys.

5.2 VENDOR CONTRACTS.

(a) GROUP INSURANCE POLICIES.

(i) This Section 5.2(a) applies to group insurance policies other than the group life insurance contract referred to in Section 5.1 ("Group Insurance Policies").

(ii) To the extent that Convergys Individuals are covered under a CBI Group Insurance Policy in existence as of the date of this Agreement, at the request of Convergys, CBI shall use its reasonable best efforts to amend such Group Insurance Policy to permit Convergys to participate in the terms and conditions of such policy from immediately after the Distribution Date until the expiration of the financial fee and rate guarantees in effect under such Group Insurance Policy as of the Distribution Date.

(iii) Convergys' participation in the terms and conditions of each such Group Insurance Policy shall be effectuated by obligating the insurance company that issued such insurance policy to CBI to issue one or more separate policies to Convergys. Such terms

and conditions shall include the financial and termination provisions, performance standards and target claims.

(iv) If CBI is not successful in negotiating policy provisions that will permit compliance with Sections 5.2(a)(ii) and (iii) prior to the Distribution Date, at the request of Convergys, CBI shall use its reasonable best efforts to either continue to cover Convergys under its Group Insurance Policies or procure a separate policy for Convergys until Convergys has procured such separate insurance policy or made other arrangements for replacement coverage, and Convergys shall bear all costs incurred by CBI to continue such coverage.

(b) EFFECT OF CHANGE IN RATES. CBI and Convergys shall use their reasonable best efforts to cause each of the insurance companies, HMOs, point-of-service vendors and third-party administrators providing services and benefits under the CBI Health and Welfare Plans and the Convergys Health and Welfare Plans to maintain the premium and/or administrative rates based on the aggregate number of participants in both the CBI Health and Welfare Plans and the Convergys Health and Welfare Plans through the expiration of

the financial fee or rate guarantees in effect as of the Distribution Date under the respective ASO Contracts, Group Insurance Policies, and HMO Agreements. To the extent they are not successful in such efforts, CBI and Convergys shall each bear the revised premium or administrative rates attributable to the individuals covered by their respective Health and Welfare Plans.

5.3 CBI WORKERS' COMPENSATION PROGRAM.

(a) ADMINISTRATION.

(i) Through the Distribution Date or such earlier date as may be agreed by CBI and Convergys, CBI shall continue to be responsible for the administration of all claims and associated premiums, fees and other costs that (1) are, or have been, incurred under the various arrangements established by any CBI Entity to comply with the workers' compensation regulations of the states where CBI and its affiliates conduct business (the "CBI WCP") before the Distribution Date by Convergys Individuals and other employees and former employees of the Convergys Entities through the Distribution Date ("Convergys WCP Claims") and (2) have been historically administered by CBI or its insurance company.

(ii) Effective immediately after the Distribution Date or such earlier date as may be agreed by CBI and Convergys, (A) Convergys shall, to the extent Legally Permissible (as defined below), be responsible for the administration of all Convergys WCP Claims and associated premiums, fees and other costs, whether those claims were previously administered by CBI or Convergys, and (B) CBI shall be responsible for the administration of all Convergys WCP Claims not administered by Convergys pursuant to clause (A), whether previously administered by CBI or Convergys and whether under the self-insured or insured portion of the CBI WCP. Any determination made, or settlement entered into, by either party or its insurance company with respect to Convergys WCP Claims for which it is administratively responsible shall be final and binding upon the other party.

(iii) Each party shall fully cooperate with the other with respect to the administration and reporting of Convergys WCP Claims, the payment of Convergys WCP Claims determined to be payable, and the transfer of the administration of any Convergys WCP Claims to the other party as determined under Section 5.3(a)(ii).

(iv) For purposes of this Section 5.3(a), "Legally Permissible" shall be determined on a state-by-state basis, and shall mean that administration of Convergys WCP Claims by Convergys both (A) is permissible under the applicable state's workers' compensation laws (taking into account all relevant facts, including that Convergys may have a self-insurance certificate in that state) and (B) would not have a material adverse effect on CBI's self-insurance certificate within that state. If it is determined that, in a particular state, it is Legally Permissible for Convergys to administer Convergys WCP Claims, then Convergys shall be responsible for the administration of all Convergys WCP Claims incurred in that state, whether previously administered by CBI, Convergys, or an insurance company. If it is determined that, in a particular state, it is not Legally Permissible for Convergys to administer Convergys WCP Claims, then CBI shall be responsible for the administration of all Convergys WCP Claims incurred in that state, whether previously administered by CBI, Convergys, or an insurance company.

(b) SELF-INSURANCE STATUS.

(i) CBI shall amend its certificates of self-insurance with

respect to workers' compensation and any applicable group insurance policies to include Convergys until the Distribution Date, and Convergys shall fully cooperate with CBI in obtaining such amendments. All costs incurred by CBI in amending such certificates or group insurance policies, including filing fees, adjustments of security and excess loss policies and amendment of safety programs, shall be shared equally by CBI and Convergys. CBI shall use its reasonable best efforts to obtain self-insurance status for workers' compensation for Convergys effective immediately after the Distribution Date in each jurisdiction in which Convergys conducts business and in which CBI is self-insured, if CBI determines that such status is beneficial to Convergys. Convergys hereby authorizes CBI to take all actions necessary and appropriate on its behalf in order to obtain such self-insurance status.

(ii) CBI shall also arrange a contingent insured or other arrangement for payment of workers' compensation claims, into which Convergys shall enter if and to the extent that CBI fails to obtain self-insured status for Convergys as provided in Section 5.3(b)(i), unless Convergys obtains another such arrangement that is effective immediately after the Distribution Date, in which event Convergys shall reimburse CBI for any expenses incurred by CBI in procuring such contingent arrangement.

(c) INSURANCE POLICY.

(i) In the event the workers' compensation insurance policy that CBI maintains under the CBI WCP expires before the Distribution Date, CBI shall use its reasonable best efforts to renew such policy and to cause the issuing insurance company to issue a separate policy to Convergys. If CBI is not able to cause such insurance company to issue such separate insurance policy, Convergys shall use its reasonable best efforts to procure a separate policy from another insurance company or to obtain self-insurance status, and CBI shall use its reasonable best efforts to continue to cover Convergys under its renewed policy until the earlier of (A) the date on which Convergys' application for such self-insurance status is approved or (B) the date on which a separate insurance policy is procured. Convergys shall compensate CBI for all costs incurred by CBI to continue such coverage. Any claims incurred by Convergys Individuals after the Distribution Date that will be covered under and during any such continuation of coverage shall be treated as being incurred before the Distribution Date for purposes of determining the party responsible for the administration of benefits.

(ii) CBI shall use its reasonable best efforts to maintain the premium rates for all workers' compensation insurance policies for both CBI and Convergys in effect for periods through the Distribution Date to be based on the aggregate number of employees covered under the workers' compensation insurance policies of both CBI and Convergys. Any premiums due under the separate workers' compensation insurance issued to Convergys shall be payable by Convergys.

5.4 CONTINUANCE OF ELECTIONS, CO-PAYMENTS AND MAXIMUM BENEFITS.

(a) The transfer or other movement of employment from CBI to Convergys at any time before the Distribution Date shall constitute a "status change" under the CBI Health and Welfare Plans or the Convergys Health and Welfare Plans.

(b) Convergys shall cause the Convergys Health and Welfare Plans to recognize and give credit for (i) all amounts applied to deductibles, out-of-pocket maximums, and other applicable benefit coverage limits with respect to which such expenses have been incurred by Convergys Individuals under the CBI Health and Welfare Plans for the remainder of the year in which the Distribution occurs, and (ii) all benefits paid to Convergys Individuals

under the CBI Health and Welfare Plans for purposes of determining when such persons have reached their lifetime maximum benefits under the Convergys Health and Welfare Plans.

(c) Convergys shall provide coverage to Convergys Individuals under the Convergys Group Life Program without the need to undergo a physical examination or otherwise provide evidence of insurability.

ARTICLE VI
EXECUTIVE BENEFITS AND NON-EMPLOYEE DIRECTOR BENEFITS

6.1 LONG TERM INCENTIVE PLANS. For purposes of this Agreement, "CBI LTIP" means any of the CBI 1988 Long Term Incentive Plan, the CBI 1989 Stock Option Plan, the CBI 1997 Long Term Incentive Plan, the CBI 1988 Stock Option Plan for Non-Employee Directors and the CBI 1997 Stock Option Plan for Non-Employee Directors and "Convergys LTIP" means the Convergys Corporation 1998 Long Term Incentive Plan.

(a) STOCK OPTIONS. For purposes of this Agreement, "CBI Option" means an option to purchase CBI common shares pursuant to a CBI LTIP and "Convergys Option" means an option to purchase Convergys common shares pursuant to the Convergys LTIP. At the time of the Distribution, each holder of a CBI Option shall receive a Convergys Option to purchase a number of Convergys common shares equal to the number of CBI common shares subject to the CBI Option. Each Convergys Option shall have the same terms and conditions (including vesting) as the CBI Option with respect to which it is granted, except that termination of employment shall mean (i) in the case of a CBI employee or director, termination of employment with CBI and (ii) in the case of a Convergys employee or director, termination of employment with Convergys. Each CBI Option shall be amended to provide that, in the case of a Convergys employee or director, termination of employment shall mean termination of employment with Convergys. The exercise price per share of each CBI Option (the "CBI Exercise Price") shall be reduced, and the exercise price per share of the associated Convergys Option (the "Convergys Exercise Price") shall be set so that (i) the sum of the CBI Exercise Price (after the reduction provided herein) and the Convergys Exercise Price is equal to the CBI Exercise Price (before the reduction provided herein) and (ii) the ratio of the CBI Exercise Price (after the reduction provided herein) to the Convergys Exercise Price is equal to the ratio of the average of the daily high and low per-share prices of CBI common shares on the New York Stock Exchange ("NYSE") during each of the five trading days starting on the ex-dividend date for the Distribution to the average of the daily high and low per-share prices of Convergys common shares on the NYSE during each of the five trading days starting on the ex-dividend date for the Distribution. Notwithstanding the foregoing, in the event that the number of Convergys common shares to be distributed to each CBI shareholder at the time of the Distribution with respect to each CBI common share owned by the shareholder on the record date for the Distribution is greater or less than one, the number of Convergys common shares represented by each Convergys Option and the Convergys Exercise Price shall be adjusted to reflect such difference.

(b) RESTRICTED STOCK. For purposes of this Agreement, "CBI Restricted Stock" means CBI common shares issued subject to restrictions pursuant to a CBI LTIP and "Convergys Restricted Stock" means Convergys common shares issued subject to restrictions pursuant to the Convergys LTIP. At the time of the Distribution, the Convergys common shares distributable to each holder of CBI Restricted Stock shall be issued pursuant to the Convergys LTIP and shall be subject to the same restrictions, terms and conditions (including vesting) as the CBI Restricted Stock with respect to which they are distributed, except that termination of employment shall mean (i) in the case of a CBI employee, termination of employment with CBI

and (ii) in the case of a Convergys employee, termination of employment with Convergys. Each CBI Restricted Stock grant shall be amended to provide that, in the case of a Convergys employee or director, termination of employment shall mean termination of employment with Convergys.

6.5 CBI EXECUTIVE DEFERRED COMPENSATION PLAN. Immediately after the Distribution Date, the accrued benefit of any Convergys Individual in the CBI Executive Deferred Compensation Plan shall be transferred to and assumed by the Convergys Executive Deferred Compensation Plan.

6.6 DEFERRED COMPENSATION PLAN FOR OUTSIDE DIRECTORS. Immediately after the Distribution Date, the accrued benefit of any Convergys Non-Employee Director in the CBI Deferred Compensation Plan for Outside Directors (the "CBI Directors Plan") shall be transferred to and assumed by the Convergys Deferred Compensation Plan for Non-Employee Directors (the "Convergys Directors Plan"). The Convergys Directors Plan shall be, with respect to the Convergys Non-Employee Directors who participated in the CBI Director Plan, in all respects the successor in interest to, and shall not provide benefits that duplicate benefits provided by, the CBI Directors Plan.

6.7 CONSENTS AND NOTIFICATIONS. CBI and Convergys shall use their reasonable best efforts to obtain, or cause to be obtained, to the extent necessary, the written consent of each Convergys Individual and Convergys Director who is a party to an individual agreement and/or a participant in the CBI Executive Deferred Compensation Plan, the CBI Long Term Plan, or the CBI Deferred Compensation Plan for Outside Directors, to the treatment of such individual agreement or plan, as applicable, in accordance with this Article VI, including the assumption by Convergys and the Convergys Entities, of sole responsibility for, and the release of the CBI Entities from, all liabilities thereunder; provided, that no failure to seek or to obtain any such consent shall have any effect upon the obligations of the Convergys Entities with respect to such liabilities.

6.8 NON-COMPETITION AND CONFIDENTIALITY.

(a) NON-COMPETITION AGREEMENTS AND POLICIES. Prior to the Distribution Date, CBI and Convergys shall take such action as may be necessary to ensure that, during the 18-month period commencing on the Distribution Date, (i) employment with a Convergys Entity shall not be deemed to be in violation of any CBI Entity non-competition policy or agreement and (ii) employment with any CBI Entity shall not be deemed to be in violation of any Convergys Entity non-competition policy or agreement.

(b) CONFIDENTIALITY AND PROPRIETARY INFORMATION. No provision of this Agreement shall be deemed to release any individual for any violation of any agreement or policy of a CBI Entity or Convergys Entity pertaining to confidential or proprietary

information of a CBI Entity or Convergys, or otherwise relieve any individual of his or her obligations under such agreement or policy.

6.9 CORPORATE-OWNED LIFE INSURANCE. CBI shall retain all corporate-owned life insurance policies that were purchased by CBI in 1986, including those policies insuring Convergys Individuals. CBI shall continue, liquidate and/or administer such corporate-owned life insurance policies on terms and conditions agreed to by CBI and Convergys. Convergys and CBI shall share all information that may be necessary to identify the individuals insured by the corporate-owned life insurance policies owned by CBI and to

determine when and whether such individuals are deceased.

6.10 MANAGEMENT INCENTIVE COMPENSATION PAYMENTS. Effective as of the Distribution Date, Convergys shall assume all liabilities to Convergys Individuals for bonuses under CBI's 1998 bonus program and all liabilities to Convergys Individuals for performance awards under CBI's Senior Management Long Term Incentive Plan for the three-year performance periods commencing in 1996, 1997 and 1998. CBI and Convergys shall determine (a) the extent to which established performance criteria (after taking into account the effects of the initial public offering of Convergys common shares and the Distribution) have been met and (b) the payment level for each Convergys Individual.

ARTICLE VII
GENERAL AND ADMINISTRATIVE

7.1 PAYMENT OF LIABILITIES, PLAN EXPENSES AND RELATED MATTERS.

(a) ACTUARIAL AND ACCOUNTING METHODOLOGIES AND ASSUMPTIONS. For purposes of this Agreement, unless specifically indicated otherwise: (i) all actuarial methodologies and assumptions used for a particular Plan shall (except to the extent otherwise determined by CBI and Convergys to be reasonable or necessary) be substantially the same as those used in the actuarial valuation of that Plan used to determine minimum funding requirements under ERISA Section 302 and Code Section 412 for 1998, or, if such Plan is not subject to such minimum funding requirements, used to determine CBI's deductible contributions under Code Section 419A or, if such Plan is not subject to Code Section 419A, the assumptions used to prepare CBI's audited financial statements for 1997, as the case may be; and (ii) the value of plan assets shall be the value established for purposes of audited financial statements of the relevant plan or trust for the period ending on the date as of which the valuation is to be made. Convergys liabilities relating to, arising out of or resulting from the status of the Convergys Entities as participating companies in CBI and all accruals relating thereto shall be determined using actuarial assumptions and methodologies (including with respect to demographics, medical trends and other relevant factors) in a manner consistent with CBI's practice as in effect on the effective date of this Agreement and in conformance with the generally accepted actuarial principles promulgated by the American Academy of Actuaries, the Code, ERISA, and/or generally accepted accounting principles, as applicable, in each case consistent with past CBI

practice. Except as otherwise contemplated by this Agreement or as required by law, all determinations as to the amount or valuation of any assets of or relating to any CBI Plan (whether or not such assets are being transferred to a Convergys Plan) shall be made pursuant to procedures to be established by the parties before the Distribution Date.

(b) PAYMENT OF LIABILITIES; DETERMINATION OF EMPLOYEE STATUS. Convergys shall pay directly, or reimburse CBI promptly for, all liabilities assumed by it pursuant to this Agreement, including all compensation payable to Convergys Individuals for services rendered to a Convergys Entity (i) after the date of this Agreement, (ii) while in the employ of a CBI Entity and (iii) before becoming a Convergys Individual. Determinations of what entity employs or employed a particular individual shall be made by reference to the applicable legal entity and/or other appropriate accounting code, to the extent possible.

7.2 NON-TERMINATION OF EMPLOYMENT; NO THIRD-PARTY BENEFICIARIES. No provision of this Agreement shall be construed to create any right, or accelerate entitlement, to any compensation or benefit whatsoever on the part

of any Convergys Individual or other future, present or former employee of any CBI Entity or Convergys Entity under any CBI Plan or Convergys Plan or otherwise. Without limiting the generality of the foregoing: (i) neither the Distribution nor the termination of the participating company status of a Convergys Entity shall cause any employee to be deemed to have incurred a termination of employment which entitles such individual to the commencement of benefits under any of the CBI Plans (other than the CBI ESOP), any of the Convergys Plans, or any of the Individual Agreements; and (ii) except as expressly provided in this Agreement, nothing in this Agreement shall preclude Convergys, at any time after the Distribution Date, from amending, merging, modifying, terminating, eliminating, reducing, or otherwise altering in any respect any Convergys Plan, any benefit under any Convergys Plan or any trust, insurance policy or funding vehicle related to any Convergys Plan.

7.3 BENEFICIARY DESIGNATIONS. All beneficiary designations made by Convergys Individuals for CBI Plans shall be transferred to and be in full force and effect under the corresponding Convergys Plans until such beneficiary designations are replaced or revoked by the Convergys Individual who made the beneficiary designation.

7.4 REQUESTS FOR IRS RULINGS AND DOL OPINIONS. The parties shall cooperate fully with each other on any issue relating to the transactions contemplated by this Agreement for which either party elects to seek a determination letter or private letter ruling from the IRS or an advisory opinion from the Department of Labor.

7.5 FIDUCIARY STATUS. CBI and Convergys each acknowledges that actions required to be taken pursuant to this Agreement may be subject to fiduciary duties or standards of conduct under ERISA or other applicable law, and no party shall be deemed to be in violation of this Agreement if it fails to comply with any provisions hereof based upon its good faith determination that to do so would violate such a fiduciary duty or standard.

7.6 CONSENT OF THIRD PARTIES. If any provision of this Agreement is dependent on the consent of any third party and such consent is withheld, CBI and Convergys shall use their reasonable best efforts to implement the applicable provisions of this Agreement to the full extent practicable. If any provision of this Agreement cannot be implemented due to the failure of such third party to consent, CBI and Convergys shall negotiate in good faith to implement the provision in a mutually satisfactory manner. The phrase "reasonable best efforts" as used herein shall not be construed to require the incurrence of any non-routine or unreasonable expense or liability or the waiver of any right.

ARTICLE VIII
MISCELLANEOUS

8.1 EFFECT IF DISTRIBUTION DOES NOT OCCUR. If the Distribution does not occur, then all actions and events that are, under this Agreement, to be taken or occur effective as of the Distribution Date, immediately after the Distribution Date, or otherwise in connection with the Distribution, shall not be taken or occur except to the extent specifically agreed by Convergys and CBI.

8.2 RELATIONSHIP OF PARTIES. Nothing in this Agreement shall be deemed or construed by the parties or any third party as creating the relationship of principal and agent, partnership or joint venture between the parties, it being understood and agreed that no provision contained herein, and no act of the parties, shall be deemed to create any relationship between the parties other than the relationship set forth herein.

8.3 AFFILIATES. Each of CBI and Convergys shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth in this Agreement to be performed by a CBI Entity or a Convergys Entity, respectively.

8.4 GOVERNING LAW. To the extent not preempted by applicable federal law, this Agreement shall be governed by, construed and interpreted in accordance with the laws of the State of Ohio, irrespective of the choice of law principles of the State of Ohio, as to all matters, including matters of validity, construction, effect, performance and remedies.

8.5 ARBITRATION. Any dispute, controversy or claim arising out of or in connection with this Agreement (including any questions of fraud or questions concerning the validity and enforceability of this Agreement or any of the rights herein) shall be determined and settled in accordance with Article 11 of the Plan of Reorganization.

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

CINCINNATI BELL INC.

By: /s/ John T. LaMacchia

John T. LaMacchia, President
and Chief Executive Officer

CONVERGYS CORPORATION

By: /s/ James F. Orr

James F. Orr, President
and Chief Executive Officer

SUMMARY OF CBI FUNDING POLICY
METHODOLOGY FOR PENSION BENEFITS

Establishment and periodical evaluation of the CBI funding policy require the determination of current asset and liability values, as well as simulating the financial operation of the pension plans in future years. A financial modeling system described below is used to develop a distribution of outcomes for the financial status of the pension plans in future periods.

Accrued benefit and total projected benefit payment liabilities are actuarially calculated on the basis of existing plan obligations, and future liabilities are calculated by projecting future plan operation and experience, in accordance with reasonable actuarial methods and assumptions, over specified time periods. The determination of the current market value

of plan assets is based upon market quotations of such values and upon professionally determined appraisal values. The determination of the distribution of potential future asset values for the plans is based upon assumed rates of return for each such asset class, as well as the variability of those returns (standard deviation) and the relative relationships across each asset class (correlation coefficient). Once a distribution of possible future asset values has been determined, the funding policy can be evaluated by determining the probability of there being adequate assets to meet pension liabilities in the future periods (e.g., 75% of the possible asset return scenarios in ten years will provide adequate assets to meet the actuarially determined pension liabilities). The expected rate of return for each principal asset class, as well as the mathematical factors used in adjusting each rate of return, are specified below.

The computations based on this Schedule are made using the following assumptions:

- All actuarial assumptions, including assumptions related to accrued liability, are identical to the assumptions to be used in the determination of required minimum contributions under ERISA for the plan year beginning on January 1, 1998.

- Level future eligible employee populations are assumed.

- No future employer contributions are assumed.

- No transfers in or out of the Plan of liabilities or assets are assumed.

- Only employees of companies participating in the plan before January 1, 1998 are taken into account.

- All demographic experience is assumed to occur in accordance with the actuarial assumptions used to determine the minimum required contributions under ERISA for the plan year beginning January 1, 1998.

- The Wilshire PENSIM model, incorporating ASA system enhancements, with benefits and present values determined by ASA in accordance with the assumptions and methods specified in this Schedule are used in the application of the CBI funding policy requirements.

ASSET CLASS	EXPECTED RETURN	STAND. DEVIATION
Large Cap Equities	9.50%	14.86%
Small Cap Equities	11.50%	23.01%
CBI Shares	10.50%	26.81%
International Equities	11.00%	18.87%
Renaissance	8.00%	12.00%
Domestic Bonds	6.00%	8.23%
Convertible Bonds	7.50%	12.82%
High-Yield Bonds	7.00%	8.39%
International Bonds	6.00%	12.42%
Real Estate	6.00%	6.93%
Venture Capital	12.00%	24.54%
Cash	5.00%	2.55%

CORRELATION COEFFICIENTS

ASSET CLASS	LRG CAP EQUITY	SML CAP EQUITY	CBI SHRS	INTL EQUIT	REN	DMST BOND	CONV BOND	HIGH YIELD BOND	INTL BOND	REAL ESTAT	VENT CAP	CASH
Large Cap Equities	1.00											
Small Cap Equities	0.82	1.00										
CBI Shares	0.40	0.34	1.00									
International Equities	0.46	0.40	0.20	1.00								
Renaissance	0.66	0.56	0.35	0.35	1.00							
Domestic Bonds	0.37	0.24	0.30	0.25	0.59	1.00						
Convertible Bonds	0.88	0.79	0.39	0.44	0.64	0.37	1.00					
High-Yield Bonds	0.50	0.42	0.25	0.28	0.45	0.42	0.48	1.00				
International Bonds	-0.04	-0.08	0.04	0.01	0.11	0.31	-0.04	0.07	1.00			
Real Estate	-0.06	-0.03	0.01	-0.12	-0.09	-0.21	-0.05	-0.14	-0.09	1.00		
Venture Capital	0.75	0.68	0.31	0.37	0.51	0.24	0.72	0.39	-0.06	-0.04	1.00	
Cash	-0.04	-0.03	0.07	-0.11	0.02	-0.03	-0.02	-0.09	-0.02	0.68	-0.04	1.00

CINCINNATI BELL INC.

DEFERRED COMPENSATION PLAN FOR OUTSIDE DIRECTORS

(As amended and restated effective February 1, 1999)

SECTION 1

NAME OF PLAN; PREDECESSOR PLAN

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

1.2 PREDECESSOR PLAN. The Plan is intended to amend and supersede the Cincinnati Bell Inc. Deferred Compensation Plan for Non-Employee Directors (the "Predecessor Plan") effective December 31, 1996.

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 "Account" shall mean the Account established for an Outside Director under Section 4.1.

2.1.2 "Board" shall mean the Board of Directors of the Company.

2.1.3 "Beneficiary" shall mean the person or entity designated by

a Participant, on forms furnished and in the manner prescribed by the Committee, to receive any benefit payable under the Plan after the Participant's death. If a Participant fails to designate a beneficiary or if, for any reason, such designation is not effective, the Participant's "Beneficiary" shall be the Participant's surviving spouse or, if none, the Participant's estate.

2.1.4 "CBI Shares" shall mean common shares of the Company.

2.1.5 "Committee" shall mean the Compensation Committee of the Board.

2.1.6 "Company" shall mean Cincinnati Bell Inc.

2.1.7 "Credited Service" shall mean active service as an Outside Director, including service as an Outside Director prior to the Effective Date. One year of Credited Service shall be given for each twelve full months of Credited Service, whether or not consecutive. A fraction of a year of Credited Service shall be rounded up or down to the nearest whole year.

2.1.8 "Effective Date" shall mean December 31, 1996.

2.1.9 "Other Fee" shall mean any fee for Outside Directors established by the Board for attending Board or committee meetings or for serving as a chair of a Board committee, but shall not include the Retainer or expense reimbursements.

2.1.10 "Other Fee Payment Date" shall mean the date on which any Other Fee is payable to an Outside Director.

2.1.11 "Outside Director" shall mean any member of the Board who is not an employee of the Company, but shall not include any person serving as Director Emeritus.

2.1.12 "Participant" shall mean a person who has served as an Outside Director on or after the Effective Date and whose Account has not been fully paid or forfeited, as the case may be.

2.1.13 "Retainer" shall mean the annual fee for Outside Directors established by the Board, but shall not include meeting fees, fees for serving as a chair of a Board committee or expense reimbursements.

2.1.14 "Retainer Payment Date" shall mean the quarterly dates on which the Outside Directors' Retainer is paid.

2.1.15 "Retirement Plan" shall mean the Cincinnati Bell Inc. Retirement Plan for Outside Directors.

2.1.16 "Valuation Date" means the last day of each calendar year and the date as of which any payment is to be made under the Plan.

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

3.1 ELECTION OF DEFERRALS. Subject to such rules as the Committee may prescribe, an Outside Director may elect to defer up to 100% of the Outside Director's Retainer and/or Other Fees for any 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). Notwithstanding the foregoing, if an Outside Director first becomes an Outside Director after the first day of a calendar year, such Outside Director may elect to defer up to 100% of the Outside Director's Retainer and/or Other Fees 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 on which the Outside Director first becomes an Outside Director. Any election under the preceding sentence shall be effective as of the first Retainer Date or Other Fee Payment Date, as the case may be, after the date the election is filed.

3.2 CHANGING DEFERRALS. Subject to such rules as the Committee may prescribe, an Outside Director who has elected to defer a portion or all of any Retainer and/or Other Fee may change the amount of the 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).

SECTION 4

MAINTENANCE AND VALUATION OF ACCOUNTS

4.1 DEFERRED COMPENSATION ACCOUNTS. A separate bookkeeping Account shall be established for each Outside Director which shall reflect all amounts credited to the Outside Director's Account under this Section 4.1 and the assumed investment of those amounts.

4.1.1 On each Retainer Payment Date and Other Fee Payment Date after the Effective Date, there shall be credited to each Outside Director's Account the amount of the Retainer or Other Fee which the Outside Director has elected to defer under Section 3.1 Amounts credited to the Outside Director's Account under this Section 4.1.1 shall be assumed to be invested exclusively in Cash Equivalents.

4.1.2 In the case of an Outside Director who was participating in the Predecessor Plan immediately prior to the Effective Date, the balance then credited to the Outside Director's account under the Predecessor Plan shall be credited to the Outside Director's Account under this Plan as of the Effective Date. Amounts credited to the

Outside Director's Account under this Section 4.1.2 shall be assumed to be invested exclusively in Cash Equivalents.

4.1.3 In the case of an Outside Director who was participating in the Retirement Plan on July 1, 1996, an amount equal to the present value of the Outside Director's accrued benefit under the Retirement Plan as of the Effective Date (as determined by the Board) shall be credited to the Outside Director's Account under this Plan as of the Effective Date. Amounts credited to an Outside Director's Account under this Section 4.1.3 shall be assumed to be

invested exclusively in CBI Shares. For purposes of this Section 4.1.3, each Outside Director who was an Outside Director on July 1, 1996 shall be deemed to have been participating in the Retirement Plan on that date.

4.1.4 As of the first business day of 1999 and each subsequent calendar year, there shall be credited to the Account of each person who is an Outside Director on such day an amount equal to the value on such day of the number of CBI Shares that are produced by multiplying 500 CBI Shares by a fraction having a numerator equal to the sum of the average of the high and low sale prices on the New York Stock Exchange of a CBI Share for January 4, 1999 and the average of the high and low sale prices on the New York Stock Exchange of a common share of Convergys Corporation (for purposes of this Plan, a "Convergys Share") for January 4, 1999 and a denominator equal to the average of the high and low sale prices on the New York Stock Exchange of a CBI Share for January 4, 1999. Amounts credited to an Outside Director's Account under this Section 4.1.4 shall be assumed to be invested exclusively in CBI Shares

4.1.5 As of January 4, 1999, there shall be credited to the Account of each person who is an Outside Director on such date an amount equal to the value on such date of the number of CBI Shares that are produced by dividing $100,000 (or, in the case of the Outside Director who is the Chairman of the Board on January 4, 1999, $200,000) by the product of 0.88 (a factor to reflect the forfeiture provisions noted below in the this Section 4.1.5) and the average of the high and low sale prices on the New York Stock Exchange of a CBI Share for January 4, 1999. Amounts credited to an Outside Director's Account under this Section 4.1.5 shall be assumed to be invested exclusively in CBI Shares. Notwithstanding the foregoing, the amount credited to the Account of any Outside Director under this Section 4.1.5 (and all other assumed investment credits under Section 4.3 below to such Account that are attributable to the amount credited to such Account under this Section 4.1.5) shall be forfeited and entirely disregarded in determining the distributions to be made under this Plan to such Outside Director if such Outside Director fails to remain a member of the Board continuously from January 4, 1999 through January 3, 2003 for any reason (other than death or retirement). In the event of death or retirement of an Outside Director prior to January 3, 2003, no forfeiture of credits will be applied in determining the distributions to be made under the Plan.

4.1.6 As of December 31, 1998, there shall be credited to the Account of each person who is then a Participant in the Plan an amount equal to the value on December 31, 1998 of a number of Convergys Shares equal to the number of CBI Shares which are assumed to be held in such Account as of December 31, 1998 under the terms of the Plan. Except as is otherwise provided in the immediately following sentence, the entire amount credited to any Participant's Account under this Section 4.1.6 shall be assumed to be invested exclusively in Convergys Shares. Notwithstanding the immediately preceding sentence, each Participant who has an amount credited to his Account under this Section 4.1.6 may elect, at any time during the period that begins on February 1, 1999 and ends February 12, 1999 and by returning to the Committee a form approved for this purpose by the Committee, to have the entire value as of January 4, 1999 (the first business day after the date of Distribution) of the portion of his Account that is attributable to the amount credited under this Section 4.1.6 (and the assumed investments of such portion to January 4, 1999) assumed to be invested from and after January 4, 1999 exclusively in CBI Shares.

4.2 ASSUMED INVESTMENT IN CASH EQUIVALENTS. To the extent that a Participant's Account is assumed to be invested in Cash Equivalents and has

not been paid, the Account shall be credited with interest, compounded quarterly at the end of each calendar quarter, equal to the average U.S. Treasury 10-year note rate for the previous calendar quarter.

4.3 CBI SHARES. To the extent that a Participant's Account is assumed to be invested in CBI Shares and has not been paid or forfeited, as the case may be:

4.3.1 Whenever any cash dividends are paid with respect to CBI Shares, an additional amount shall be credited to the Participant's Account 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 Participant's Account on the day preceding the dividend payment date. Such additional amount credited to the Account shall be assumed to be invested in additional CBI Shares on the day on which such dividends are paid.

4.3.2 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 be purchased for each Account shall be appropriately adjusted.

4.3.3 Whenever CBI Shares are to be valued for purposes of the Plan, the value of each CBI Share shall be the average of the high and low price per share as reported on the New York Stock Exchange on that date or, if no CBI Shares were traded on that date, on the next preceding day on which CBI Shares were traded.

4.4 CONVERGYS SHARES. To the extent that a Participant's Account is assumed to be invested in Convergys Shares, or has credited to it an amount based on the value of the Convergys Shares as of any date, and has not yet been paid or forfeited, as the case may be:

4.4.1 Whenever any cash dividends are paid with respect to Convergys Shares, an additional amount shall be credited to the Participant's Account as of the dividend payment date. The additional amount to be credited to the Account shall be determined by multiplying the per share cash dividend paid with respect to the Convergys Shares on the dividend payment date by the number of assumed Convergys Shares credited to the Participant's Account on the day preceding the dividend payment date. Such additional amount credited to the Account shall be assumed to be invested in additional Convergys Shares on the day on which such dividends are paid.

4.4.2 If there is any change in Convergys 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 Convergys Shares assumed to be purchased for the Participant's Account shall be appropriately adjusted.

4.4.3 Whenever Convergys Shares are to be valued for purposes of the Plan, the value of each Convergys Share shall be the average of the high and low sale price per Convergys Share as reported on the New York Stock Exchange on that date or, if no Convergys Shares were traded on that date, on the next preceding day on which Convergys Shares were traded.

4.5 VALUATION. As of each Valuation Date, each Participant's Account shall be adjusted to reflect all amounts credited to the Account

since the preceding Valuation Date, any gains or losses in the value of the Account's assumed investments (Cash Equivalents, CBI Shares, and/or Convergys Shares) since the preceding Valuation Date and any payments or forfeitures occurring as of the Valuation Date.

SECTION 5

DISTRIBUTION

5.1 GENERAL. Except as otherwise provided in Section 5.5, no amount shall be paid with respect to a Participant's Account while the Participant remains a member of the Board.

5.2 TERMINATION OF SERVICE. A Participant may elect to receive the amounts credited to the Participant's Account in up to ten annual installment payments as of or commencing as of the first business day of the calendar year following the calendar year in which the Participant ceases to be a member of the Board. If a Participant fails to make such an election, the amounts credited to the Participant's Account shall be paid to

the Participant in one lump sum as of the first business day of the calendar year next following the calendar year in which the Participant ceases to be a member of the Board

5.2.1. The amount of each annual installment payable under this Section 5.2 shall be a fraction of the nonforfeitable amounts credited to the Participant's Account 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).

5.2.2. Any election under this Section 5.2 must be made in writing at least six months prior to the date on which the Participant ceases to be a member of the Board.

5.2.3. Notwithstanding any other provision hereof to the contrary, the right to receive payments with respect to that portion of the Participant's Account which is attributable to amounts credited under Sections 4.1.3, 4.1.4, and 4.1.6 (including the assumed investments of such amounts) shall be conditioned on the Participant completing at least five years of Credited Service prior to the date on which the Participant ceases to be a member of the Board. To the extent that a Participant has not satisfied such service requirement prior to the date on which the Participant ceases to be a member of the Board (other than by reason of death), the Participant shall not be entitled to receive any payment with respect to that portion of the Participant's Account which is attributable to amounts credited under Sections 4.1.3, 4.1.4, and 4.1.6 (including the assumed investments of such amounts) and such portion shall be forfeited as of the date on which the Participant ceases to be a member of the Board.

5.3 DEATH. If a Participant ceases to be a member of the Board by reason of death, or if a Participant dies after ceasing to be a member of the Board but before the amounts credited to the Participant's Account have been paid, the amounts credited to the Participant's Account shall be paid to the Participant's Beneficiary in one lump sum as of the first business day of the calendar year next following the calendar year in which the Participant's death occurs; provided, however, that if the Participant has elected to have the Participant's Account distributed in installments and if the Participant dies after distribution has commenced, the remaining installments shall be

paid to the Beneficiary as they become due.

5.4 FORM OF PAYMENT. All payments under the Plan shall be made in cash.

5.5 CHANGE IN CONTROL. If a Change in Control of the Company occurs, the amount credited to each Participant's Account shall be paid to the Participant in one lump sum as of the day next following the date on which such Change in Control occurs. A "Change in Control of the Company" shall be deemed to have occurred if, on or after December 31, 1996, (i) a tender offer shall be made and consummated for the ownership of 30% or more of the outstanding voting securities of the Company; (ii) the Company 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 the Company, other than affiliates (within the meaning of the Securities Exchange Act of 1934 (the "Act")) of any party to such merger or consolidation, as the same shall have existed immediately prior to such merger or consolidation; (iii) the Company 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 December 31, 1996) of the Act, shall acquire 20% or more of the outstanding voting securities of the Company (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 December 31, 1996) of the Act, controls in any manner the election of a majority of the directors; or (v) within any period of two consecutive years after December 31, 1996, individuals who at the beginning of such period constitute the Board 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 December 31, 1996) pursuant to the Act.

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 paid by the Company.

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 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. The Company 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. 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

The Company shall have no obligation to fund, either by the purchase of CBI Shares or by any other means, its obligations to Participants hereunder. If, however, the Company does elect to allocate assets to provide for 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 Participants 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 Board may amend or terminate the Plan at any time; provided that no amendment shall be made or act of termination taken which adversely affects the accrued benefits of any Participant without such Participant's consent.

SECTION 9

NON-ALIENATION OF BENEFITS

No Participant or Beneficiary shall alienate, commute, anticipate, assign, pledge, encumber or dispose of the right to receive the payments required to be made by the Company hereunder, which payments and the right to receive them are expressly declared to be nonassignable and nontransferable.

SECTION 10

MISCELLANEOUS

10.1 DELEGATION. The Committee may delegate to any 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.

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 unenforceabilty 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 _____, 1996.

CINCINNATI BELL INC.

By _____

10

EMPLOYMENT AGREEMENT

This Agreement is made as of the Effective Date between Cincinnati Bell Inc., an Ohio corporation ("Employer"), and John T. LaMacchia ("Employee"). For purposes of this Agreement, "Effective Date" means the date following the date on which the 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 Inc. dated December 1, 1987, are canceled as of the Effective Date.

2. TERM OF AGREEMENT. The term of this Agreement shall be the period commencing on the Effective Date and ending on the day preceding the first anniversary of the Effective Date or such earlier date as may be agreed upon by the Employer and Employee. Notwithstanding the foregoing, the term of this Agreement is subject to termination as provided in Section 13.

3. DUTIES.

A. 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 report to the Board of Directors of Employer. Employee will also 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 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. It is also understood, however, that

Employee may be devoting some effort to planning his activities that will follow the term of this Agreement, but that such planning will not interfere with his duties hereunder.

4. COMPENSATION.

A. Employee shall receive a base salary (the "Base Salary") of at least $600,000 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 $358,000, 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 200,000 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.

D. As of the Effective Date, Employee shall receive a restricted stock award of 200,000 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 $810,000.

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

G. Upon Employee's termination of employment for any reason (other than for Cause as defined in Section 13.C.) during the term of this Agreement (a) all stock options granted to Employee shall become immediately exercisable, (b) the restrictions applicable to any restricted stock grant shall immediately lapse, and (c) for purposes of computing Employee's benefit under Employer's Pension Program, the reduction for age shall be waived.

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 or 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.

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(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 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

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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 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 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 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. 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) and Section 6.G., all further compensation under this Agreement shall terminate.

G. 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 or 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.

CINCINNATI BELL INC.

By: /s/ Charles S. Mechem, Jr.

EMPLOYEE

/s/ John T. LaMacchia

John T. LaMacchia

Attachment B

EMPLOYEE BENEFITS

Automobile Allowance	Employer-provided leased automobile
Cellular Telephone	Yes
Executive Deferred Compensation Plan	No
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

EMPLOYMENT AGREEMENT

This Agreement is made as of the Effective Date between Convergys Corporation, an Ohio corporation ("Employer"), and Robert J. Marino ("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 Information Systems Inc. dated October 1, 1995, 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 President of Information Services Group 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.

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 $305,000 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 $160,000, 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 100,000 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 50,000 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 $316,000.

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 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) 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 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 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.

H. 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

Robert J. Marino

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 Robert J. Marino ("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:

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

A. Employee shall receive a base salary (the "Base Salary") of at least $360,000 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 $61,808 ($160,000 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 $105,000, 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:

Robert J. Marino

EMPLOYMENT AGREEMENT

This Agreement is made as of the Effective Date between Convergys Corporation, an Ohio corporation ("Employer"), and David F. Dougherty ("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, 1995, 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 President of Teleservices Group 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.

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 $305,000 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 $160,000, 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 100,000 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 50,000 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 $316,000.

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 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) 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 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 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.

I. 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

David F. Dougherty

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 David F. Dougherty ("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:

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

A. Employee shall receive a base salary (the "Base Salary") of at least $360,000 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 $61,808 ($160,000 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 $105,000, 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: _____

_____
David F. Dougherty

EMPLOYMENT AGREEMENT

This Agreement is made as of the Effective Date between Convergys Corporation, an Ohio corporation ("Employer"), and James F. Orr ("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 August 19, 1994, 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 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 report to 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 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 $660,000 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 $429,000, 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 350,000 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 150,000 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 $1,353,000.

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 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) 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 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 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.

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 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.

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 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 $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

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) 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

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 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 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.

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.

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

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. Employer and its Affiliates are engaged in the 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) 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 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 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

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

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) 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 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 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 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 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

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

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.

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

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.

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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 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

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

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 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 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

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

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 maybe 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).

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

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 amounted 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 designed by the Key Employee on a form provided by and filed with the Committee.

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 one 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 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.

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

Account on the Key Employee's 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 1923, 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

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 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

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 of 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 for 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.

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 unenforceabilty 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

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

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 shall 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.

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 shareowners' 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.

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.

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.

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).

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 revenue 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.

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	1996	% Change 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 expenses.

INTEREST EXPENSE

($ in millions)	1998	1997	% Change 98 vs. 97	1996	% Change 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

($ in millions)	1998	1997	% Change 98 vs. 97	1996	% Change 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

($ in millions)	1998	1997	% Change 98 vs. 97	1996	% Change 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.

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%	

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.

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.

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 occurences, 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.

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 of 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.

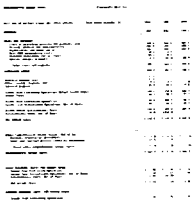
In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and comprehensive income, of shareowners' equity and of cash flows present fairly, in all material respects, the financial position of Cincinnati Bell Inc. (the Company) and its subsidiaries 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.

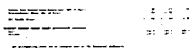
As discussed in Note 4 to the Financial Statements, the Company discontinued applying the provisions of Statement of Financial Accounting Standard 71, "Accounting for the Effects of Certain Types of Regulation," in 1997.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Cincinnati, Ohio
March 12, 1999





CONSOLIDATED BALANCE SHEETS Cincinnati Bell Inc.

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

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		
	---	---

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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.

CONSOLIDATED STATEMENTS OF COMMON SHAREOWNERS' EQUITY Cincinnati Bell Inc.

Millions of dollars except per share amounts	Common Shares Outstanding (millions)	Common Shareowners' Equity: Common Shares	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
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)
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)
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)
BALANCE AT DECEMBER 31, 1998	136.4	$136.4	$ 12.4	$ --	$(6.7)	$142.1

The accompanying notes are an integral part of the financial statements

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 prescribed 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. 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 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.

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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.

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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 MATRIXX 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.

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.

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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.

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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)
Curtailment 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)
Curtailment	.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.

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
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	--
		340.0	240.0
Capital leases and other		28.4	31.5
		368.4	271.5
Current maturities		(1.6)	(3.5)
Total		$ 366.8	$ 268.0

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.

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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
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.

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:

Shares in thousands	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Shares	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.

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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

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.

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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

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.

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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.

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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)

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 $339.2 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.

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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
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

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
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
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.

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16. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

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

Millions of dollars except per share amounts	1st	2nd	3rd	4th	Total
1998					
REVENUES	$216.5	$219.5	$222.6	$ 226.5	$ 885.1
OPERATING INCOME	$ 41.2	$ 39.5	$ 47.1	$ 52.2	$ 180.0
INCOME FROM:					
CONTINUING OPERATIONS	$ 22.5	$ 16.1	$ 21.0	$ 22.2	$ 81.8
DISCONTINUED OPERATIONS, NET OF TAXES	$ .3	$ 26.4	$ 27.4	$ 15.0	$ 69.1
EXTRAORDINARY ITEM	$ --	$ --	$ --	$ (1.0)	$ (1.0)
NET INCOME	$ 22.8	$ 42.5	$ 48.4	$ 36.2	$ 149.9
BASIC EARNINGS PER SHARE	$ .17	$ .31	$ .36	$ .26	$ 1.10
DILUTED EARNINGS PER SHARE	$ .16	$ .31	$ .35	$ .26	$ 1.08
1997					
Revenues	$199.9	$207.1	$211.0	$ 216.5	$ 834.5
Operating Income	$ 54.5	$ 47.5	$ 45.5	$ 43.9	$ 191.4
Income from:					
Continuing Operations	$ 29.9	$ 25.3	$ 24.6	$ 22.5	$ 102.3
Discontinued Operations, Net of Taxes	$ 27.3	$ 28.9	$ 27.2	$ 7.9	$ 91.3
Extraordinary Item	$ --	$ --	$ --	$(210.0)	$(210.0)
Net Income (Loss)	$ 57.2	$ 54.2	$ 51.8	$(179.6)	$ (16.4)
Basic Earnings (Loss) Per Share	$ .42	$ .40	$ .38	$ (1.32)	$ (.12)
Diluted Earnings (Loss) Per Share	$ .41	$ .39	$ .38	$ (1.30)	$ (.12)

In the fourth quarter of 1998, the extraordinary items were for retirement of long-term debt and a portion of a credit facility, which, net of tax, reduced net income by $1.0 million or $.01 per share.

In the fourth quarter of 1997, the extraordinary item, net of tax, was the result of CBT's discontinuance of SFAS 71, which reduced net income $210.0 million, or $1.52 per share.

In the first and second quarters of 1997, pension settlement gains from the business restructuring increased net income $9.6 million, or $.07 per share and $3.8 million, or $.03 per share, respectively.

Exhibit 21
to
Form 10-K for 1998

Subsidiaries of the Registrant
(as of March 31, 1999)

Subsidiary	State of Incorporation
Cincinnati Bell Telephone Company	Ohio
Cincinnati Bell Telecommunications Services Inc.	Ohio
Cincinnati Bell Network Solutions Inc.	Ohio
Cincinnati Bell Software Solutions LLC	Indiana
Cincinnati Bell Long Distance Inc.	Ohio
Cincinnati Bell Supply Company	Ohio
Cincinnati Bell Directory Inc.	Ohio
Cincinnati Bell Wireless Company	Ohio
Cincinnati Bell Wireless LLC	Ohio

EXHIBIT 23
TO
FORM 10-K FOR 1998

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Cincinnati Bell Inc. on Form S-8 (File No. 33-29332), Form S-8 (File No. 33-60209), Form S-8 (File No. 33-1462), Form S-8 (File No. 33-1487), Form S-8 (File No. 33-29331), Form S-8 (File No. 33-36381), Form S-8 (File No. 33-36380), Form S-14 (File No. 2-82253), Form S-8 (Form No. 333-38743), Form S-8 (File No. 333-28381), Form S-8 (File No. 333-38763), Form S-8 (File No. 333-28385), and Form S-3 (File No. 333-65581) of our report dated March 12, 1999 on our audits of the consolidated financial statements and financial statement schedules of Cincinnati Bell Inc. as of December 31, 1998 and 1997, and for each of the three years in the period ended December 31, 1998, which report is incorporated by reference in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

Cincinnati, Ohio
March 30, 1999

POWER OF ATTORNEY

WHEREAS, Cincinnati Bell Inc., an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1998; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints, Richard G. Ellenberger, Kevin W. Mooney and Thomas E. Taylor, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 1st day of March, 1999.

/s/ Richard G. Ellenberger

Richard G. Ellenberger
Director

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

On the 1st day of March, 1999, personally appeared before me Richard G. Ellenberger, to me known and known to me to be the person described in and who executed the foregoing instrument, and he duly acknowledged to me that he executed and delivered the same for the purposes therein expressed.

Witness my hand and official seal this 1st day of March, 1999.

/s/ Susan D. McClarnon

Notary Public

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

POWER OF ATTORNEY

WHEREAS, Cincinnati Bell Inc., an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1998; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints, Richard G. Ellenberger, Kevin W. Mooney and Thomas E. Taylor, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite

and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 1st day of March, 1999.

/s/ James D. Kiggen

James D. Kiggen
Director

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

On the 1st day of March, 1999, personally appeared before me James D. Kiggen, to me known and known to me to be the person described in and who executed the foregoing instrument, and he duly acknowledged to me that he executed and delivered the same for the purposes therein expressed.

Witness my hand and official seal this 1st day of March, 1999.

/s/ Susan D. McClarnon

Notary Public

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

POWER OF ATTORNEY

WHEREAS, Cincinnati Bell Inc., an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1998; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints, Richard G. Ellenberger, Kevin W. Mooney and Thomas E. Taylor, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 1st day of March, 1999.

/s/ David B. Sharrock

David B. Sharrock
Director

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

On the 1st day of March, 1999, personally appeared before me David B. Sharrock, to me known and known to me to be the person described in and who executed the foregoing instrument, and he duly acknowledged to me that he executed and delivered the same for the purposes therein expressed.

Witness my hand and official seal this 1st day of March, 1999.

/s/ Susan D. McClarnon

Notary Public

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

POWER OF ATTORNEY

WHEREAS, Cincinnati Bell Inc., an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1998; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints, Richard G. Ellenberger, Kevin W. Mooney and Thomas E. Taylor, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 1st day of March, 1999.

/s/ Mary D. Nelson

Mary D. Nelson
Director

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

On the 1st day of March, 1999, personally appeared before me Mary D. Nelson, to me known and known to me to be the person described in and who executed the foregoing instrument, and he duly acknowledged to me that he executed and delivered the same for the purposes therein expressed.

Witness my hand and official seal this 1st day of March, 1999.

/s/ Susan D. McClarnon

Notary Public

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

POWER OF ATTORNEY

WHEREAS, Cincinnati Bell Inc., an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1998; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints, Richard G. Ellenberger, Kevin W. Mooney and Thomas E. Taylor, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 1st day of March, 1999.

/s/ William A. Friedlander

William A. Friedlander
Director

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

On the 1st day of March, 1999, personally appeared before me William A. Friedlander, to me known and known to me to be the person described in and

who executed the foregoing instrument, and he duly acknowledged to me that he executed and delivered the same for the purposes therein expressed.

Witness my hand and official seal this 1st day of March, 1999.

/s/ Susan D. McClarnon

Notary Public

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

POWER OF ATTORNEY

WHEREAS, Cincinnati Bell Inc., an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1998; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints, Richard G. Ellenberger, Kevin W. Mooney and Thomas E. Taylor, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 1st day of March, 1999.

/s/ John T. LaMacchia

John T. LaMacchia
Director

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

On the 1st day of March, 1999, personally appeared before me John T. LaMacchia, to me known and known to me to be the person described in and who executed the foregoing instrument, and he duly acknowledged to me that he executed and delivered the same for the purposes therein expressed.

Witness my hand and official seal this 1st day of March, 1999.

/s/ Susan D. McClarnon

Notary Public

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

POWER OF ATTORNEY

WHEREAS, Cincinnati Bell Inc., an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1998; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints, Richard G. Ellenberger, Kevin W. Mooney and Thomas E. Taylor, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 1st day of March, 1999.

/s/ Phillip R. Cox

Phillip R. Cox
Director

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

On the 1st day of March, 1999, personally appeared before me Phillip R. Cox, to me known and known to me to be the person described in and who executed the foregoing instrument, and he duly acknowledged to me that he executed and delivered the same for the purposes therein expressed.

Witness my hand and official seal this 1st day of March, 1999.

/s/ Susan D. McClarnon

Notary Public

SUSAN D. McCLARNON
Notary Public, State of Ohio

My Commission Expires March 16, 2003

POWER OF ATTORNEY

WHEREAS, Cincinnati Bell Inc., an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1998; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints, Richard G. Ellenberger, Kevin W. Mooney and Thomas E. Taylor, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 1st day of March, 1999.

/s/ Robert P. Hummel, M.D.

Robert P. Hummel, M.D.
Director

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

On the 1st day of March, 1999, personally appeared before me Robert P. Hummel, M.D., to me known and known to me to be the person described in and who executed the foregoing instrument, and he duly acknowledged to me that he executed and delivered the same for the purposes therein expressed.

Witness my hand and official seal this 1st day of March, 1999.

/s/ Susan D. McClarnon

Notary Public

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

POWER OF ATTORNEY

WHEREAS, Cincinnati Bell Inc., an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and

Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1998; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints, Richard G. Ellenberger, Kevin W. Mooney and Thomas E. Taylor, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 1st day of March, 1999.

/s/ Karen M. Houget

Karen M. Houget
Director

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

On the 1st day of March, 1999, personally appeared before me Karen M. Houget, to me known and known to me to be the person described in and who executed the foregoing instrument, and he duly acknowledged to me that he executed and delivered the same for the purposes therein expressed.

Witness my hand and official seal this 1st day of March, 1999.

/s/ Susan D. McClarnon

Notary Public

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

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EXHIBIT B

FINANCIAL INFORMATION

IXC COMMUNICATIONS, INC.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 1998

or

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

For the transition period from _____ to _____.

Commission File Number 0-20803

IXC COMMUNICATIONS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**75-2644120**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1122 Capital of Texas Highway South, Austin, Texas 78746-6426
(Address of principal executive offices)

(Registrant's telephone number, including area code): (512) 328-1112

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

Securities registered pursuant to Section 12(g) of the Act

Common Stock, par value $.01 per share
Series A Junior Participating Preferred Stock, par value $.01 per share
(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

The aggregate market value of the Common Stock of the Registrant held by non-affiliates of the Registrant on March 19, 1999, based on the closing price of the Common Stock on the NASDAQ National Market on such date, was $1,711,187,165.

The number of shares of Common Stock, $.01 par value, outstanding (the only class of common stock of the Company outstanding) was 36,602,934 on March 19, 1999.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement to be filed with the Securities and Exchange Commission within 120 days of December 31, 1998, in connection with the Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

IXC COMMUNICATIONS, INC.

FORM 10-K
For the Fiscal Year Ended December 31, 1998

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FORWARD-LOOKING STATEMENTS

We have included "forward-looking statements" throughout this document. These statements describe our attempt to predict future events. We use the words "believe," "anticipate," "expect," and similar expressions to identify forward-looking statements. You should be aware that these forward-looking statements are subject to a number of risks, assumptions, and uncertainties, such as:

- Risks associated with our capital requirements and existing debt, including the need to obtain additional capital to refinance indebtedness and provide working capital for operations;
- Risks associated with increasing competition in the telecommunications industry, including industry over-capacity and declining prices;
- Risks associated with our ability to successfully integrate our recent acquisitions;
- Changes in laws and regulations that govern the telecommunications industry;
- Risks related to continuing our network expansion without delays including the need to obtain permits and rights-of-way;
- Risks associated with our ability to continue our strategy of growth through acquisitions; and
- Risks related to our ability to prepare our information technology systems for Year 2000.

This list is only an example of some of the risks that may affect our forward-looking statements. If any of these risks or uncertainties materialize (or if they fail to materialize), or if the underlying assumptions are incorrect, then our results may differ materially from those we have projected in the forward-looking statements. We have no obligation to revise these statements to reflect future events or circumstances.

Item 1. *Business*

Overview

We are a leading provider of data and voice telecommunications transmission services. We own and operate an advanced coast-to-coast digital communications network that includes 9,300 fiber route miles of fiber optic transmission facilities. Substantial additions to our network are under construction, and we project our network to include approximately 16,400 fiber route miles by the end of 1999. Our facilities also include 9 long distance switches and 26 ATM-Frame Relay switches, which we are using to capitalize on the growing demand for Internet and electronic data transfer services. Through a combination of our facilities and the facilities of other carriers, we originate and terminate long distance traffic in all 50 U.S. states, and terminate long distance traffic in over 200 foreign countries. Revenue has grown rapidly, from $154.7 million in 1995 to $668.6 million in 1998.

Our customers include AT&T, MCIWorldCom, Sprint, PSINet, Inc., Cable & Wireless, Excel Communications, Inc., Qwest, Frontier and over 500 other long distance companies, wireless companies, cable television providers, Internet Service Providers ("ISPs") and government agencies. We also have over 113,000 retail customers, most of which are small and medium size businesses.

We have three principal segments of business. First, we lease dedicated circuits, or private lines, to other companies for the transmission of voice and data. Second, we provide long distance switched services by transmitting long distance traffic through our switches. Finally, we are an Internet services and backbone provider that also provides ATM-Frame Relay-based switched data services.

Private Line. Our private line customers include ISPs, long distance carriers and cable television companies. Our customers may transmit voice, data, or Internet traffic over our network. Our pricing for private line sales contracts varies with both the amount of capacity, or bandwidth, and the length of the leased circuit. We provide capacity in varying increments, including the ability to provision circuits with multiple OC-192 capacity. Private line sales contracts are typically either service agreements that provide for recurring monthly payments or indefeasible right to use ("IRU") agreements, in which a large payment is received by us at the beginning of the service term. Generally, month-to-month service contracts contain substantial "take or pay" commitments that require the customer to make the payment regardless of whether full capacity was utilized. We provide private line circuit contracts to over 275 customers, including AT&T, MCIWorldCom, Sprint, PSINet, Level 3 Communications, Cable & Wireless, Qwest Communications, and Frontier.

Long Distance Switched. Our long distance switched services are processed through digital switches and carried over our network or over other long distance circuits and transmission facilities that we lease. We sell these services on a per-call basis, charging by minutes of use, with payment due monthly after services are rendered. Our focus in this business is end users, however, we also service long distance resellers (both switchless resellers and switched resellers that lack switches in geographic regions). The end users, our retail customer base, consist primarily of small and medium size businesses. We are expanding our sales to retail customers through internal growth after the acquisition of Telecom One in 1997, Eclipse Telecommunications, Inc. (formerly named Network Long Distance, Inc.) in 1998, and the planned acquisition of Coastal Telecom Limited Company in 1999. Additionally, we formed a joint venture with Unidial Communications to sell communications services using our network through a full-time, national direct sales force. We may continue acquiring additional resellers that provide significant network or product synergies. We sell long distance switched services to over 113,000 end users and over 245 long distance resellers.

Data/Internet Services. Our network includes 26 ATM-Frame Relay switches and was built with SONET technology and broadband capabilities. It supports advanced, capacity-intensive products that use comparatively large amounts of bandwidth, such as ATM-Frame Relay, multimedia, and Internet-related applications. We market a full line of data/Internet products and services. We market these products and services to ISP's, resellers, CLECs and end users. Included in our suite of products are back office support functions including branded order entry and provisioning. To simplify Internet connectivity for customers requiring dedicated services, we include a comprehensive line of customer-premise equipment in our offerings.

prohibited from providing inter-LATA service (service between LATAs). The right to provide inter-LATA service was given to AT&T and the other interexchange carriers, including the LECs that are not RBOCs. The FCC requires all interexchange carriers to allow the resale of their inter-LATA services to long distance carriers, and the 1982 court decree substantially eliminated different access arrangements as distinguishing features among long distance carriers. These and other legislative and judicial factors have helped smaller long distance carriers emerge as alternatives to AT&T, MCIWorldcom and Sprint for long distance services.

The Telecommunications Act of 1996 ("Telecom Act"), among other things, allows the RBOCs and others such as electric utilities and cable television companies to enter the long distance business. The Telecom Act will substantially alter the way in which the telecommunications industry is regulated. Such changes are, however, difficult to predict accurately, because FCC proceedings and appellate review of the numerous administrative regulations adopted to implement the Telecom Act, including universal service and access charge reform, are still ongoing. Entry of the RBOCs or other entities such as electric utilities, cable television companies or foreign companies into the long distance business may result in reduced market shares for existing long distance companies and additional pricing pressure on us and other long distance providers. See "— Risk Factors — Competition," "— Risk Factors — Recent Legislation and Regulatory Uncertainty" and "— Regulation."

Market and Competition

General. The telecommunications market is highly competitive. Competition for both resellers and end-user customers is based upon pricing, advertising, customer service, network quality and value-added services. Industry observers estimate that over 600 smaller companies have emerged to compete in the long distance business. See "— Risk Factors — Competition."

Private Line Services. Long distance companies may be categorized as facilities-based carriers (those who own transmission facilities) and non-facilities-based carriers (those who do not own transmission facilities). Sellers of private line services are generally facilities-based carriers that own long distance transmission facilities, such as fiber optic cable or digital microwave equipment. The first-tier and some second-tier long distance companies are facilities-based carriers offering private line services nationwide. Facilities-based carriers in the third tier of the market generally offer private line services only in a limited geographic area. Customers using private line services include: (1) facilities-based carriers that require long distance transmission capacity where they have geographic gaps in their facilities, need additional capacity or require geographically diverse routing; (2) non-facilities-based carriers requiring long distance transmission capacity to carry their customers' long distance traffic, and (3) ISP companies who desire capacity to provide a more robust Internet atmosphere for their customers. Our competitors in the private line business include AT&T, MCIWorldCom, Sprint, Qwest, Frontier, Williams, Level 3, and certain regional carriers. Important competitive factors in the private line business are quality, reliability, price, customer service, network location and availability. See "— Private Line Services."

Long Distance Switched Services. Long distance companies may be characterized as switched or switchless carriers. A switch is a device that opens and closes circuits or selects the paths or circuits to transmit information. Switching interconnects circuits to form a transmission path between users. Sellers of long distance switched services are generally switched carriers that own one or more switches that direct telecommunications traffic. Facilities-based carriers are generally switched carriers. Our customers for wholesale switched services include both switched and switchless resellers. Our retail customers are generally small to medium size businesses seeking inexpensive, reliable long distance voice and data transmission capability. Competitors in the long distance switched services business include AT&T, MCIWorldCom, Sprint, Qwest, Frontier, as switched carriers. Important competitive factors in the long distance switched services business are price, customer service (particularly with respect to speed in delivery of computer billing records and set-up of new end users with the LECs), ability of our network to complete calls with a minimum of network-caused busy signals, scope of services offered, reliability and transmission quality.

Data/Internet Services. This business consists of assisting customers in using the Internet for internal purposes and for advertising and selling their products over the Internet. Also known as "e-commerce", the

- pursue additional revenue opportunities in our private line business by leveraging our network's capacity and focusing on large capacity requirements of customers;
- capitalize on the rapid growth in demand for data transmission services, by aggressively marketing data services;
- expand retail channel revenue through Telecom One, Eclipse, and Coastal, and by making selective acquisitions of other strategically positioned resellers; and
- utilize international alliances to obtain additional international traffic on our network and provide global connectivity to our customers.

In order to implement this strategy we intend to pursue the following:

Expand the Data and Internet Business. The SONET technology and broadband capabilities in our network provide a platform to support advanced, capacity-intensive products such as ATM-Frame Relay, multimedia, and Internet-related applications. We have equipped our network with 26 data switches and other equipment that has allowed us to be in the ATM-Frame Relay transmission business. In 1998, we acquired four Internet-related businesses to improve our offerings in this area. We acquired NEI, which provides Internet consulting; Data Place, which supplies businesses with complete network systems integration solutions; NTR, which supplies back office support to wholesale customers and Internet dial-up services to end users; and the assets of SMARTNAP, which provides aggregated Internet access, collocation of Web servers and routers, and end-site managed connectivity.

Increase Private Line Revenue. We will continue to sell high capacity (e.g. OC-3, OC-12, OC-48, OC-192) long- term private line agreements. These transactions will consist of both IRU capacity agreements and monthly leases of capacity. We expect our current success of supporting major ISP's will expand in the future as e-commerce increases.

We designed our network to traverse routes geographically diverse from those of other facilities-based carriers. In recent years, companies such as AT&T, MCIWorldCom and Sprint have used our network's routes to help protect their networks in case of a service outage. Such companies prefer routes separated geographically from their own networks to increase the possibility that the alternative route will be functional in case of a natural disaster. We believe our network expansion greatly increases the attractiveness of our network as an alternative routing backup to the major carriers.

Improve the Long Distance Switched Services Business. We have established ourself as an alternative provider of long distance switched services with nationwide origination and domestic and international termination capability. We plan to expand the focus of our retail products and services, including services designed to enhance our customers' ability to pursue business and manage their business over the Internet. We plan to market these integrated data and voice services to the end users through our retail marketing organization, which currently consists of Eclipse, Telecom One, and will also include Coastal if and when the purchase of that company is completed. We have approximately 113,500 retail long distance customers.

Reduce Operating Costs. As we expand our network, capacity leased from other carriers may be transferred to our network. Revenue growth may result in increased future off-net usage if revenue opportunities include geographic areas that our network currently does not reach or if capacity on our network is unavailable.

Enter Into Cost-Saving Arrangements. We have built excess fiber in our network that can leased or sold to other carriers or exchanged for fibers or capacity on other carriers' networks. We will seek to obtain the right to install our fibers in new routes being constructed by other carriers along our planned network expansion routes in exchange for sharing network construction costs, allowing the other carrier to use excess fiber along certain of our existing routes, or allowing the other carrier to add its fiber to existing certain segments of our network. We have already completed several fiber exchanges with other carriers that have reduced the per-route-mile cost of construction.

- reduced capital costs through sales and exchanges of excess fiber which is included in our network expansion specifically for that purpose;

We are adding thousands of additional fiber route miles to increase the geographic scope and capacity of our network. Our network connects our switches with high-capacity private line circuits, utilizing advanced fiber optic technology capable of efficiently transmitting capacity-intensive services, such as Internet, Intranet, multimedia applications, and ATM-Frame Relay. The routes of our network expansion have generally been geographically diverse from the existing fiber networks of AT&T, MCIWorldCom and Sprint.

Construction. Our network expansion is planned to cover, to the greatest extent practicable, routes where one or more of the following factors are present: (1) customer demand indicates a need for high-capacity fiber network on the route; (2) the route is attractive as a complement to the routes of other carriers, allowing the lease of capacity on the route to other carriers to exchange a portion of capacity on the route for capacity in routes from other carriers; or (3) the capacity will replace capacity currently leased from other carriers.

Cost. The principal components of network expansion cost include: (1) fiber optic cable in conduit; (2) engineering and construction labor; (3) optronic and electronic equipment and (4) rights-of-way. The rights-of-way are provided pursuant to long-term leases or other arrangements (some of which may provide for substantial continuing payments) entered into with railroads, highway commissions, pipeline owners, utilities or others. Although we have not yet obtained all the necessary rights-of-way along the planned routes, it is anticipated that the rights-of-way will be available.

Through cost-saving arrangements, our network cost has been reduced. The cost-saving arrangements include: (1) leasing or selling excess fiber to other carriers; (2) exchanging excess fiber for fibers or capacity on other carriers' networks; or (3) installing our fibers in new routes being constructed by other carriers along our proposed network expansion route in exchange for (a) sharing network construction costs; (b) allowing other carriers to use excess fiber along certain of our network routes; or (c) allowing other carriers to add their fiber to certain segments of our network. See "Risk Factors — Negative Cash Flow and Capital Requirements." We have experience with these arrangements with several major carriers, including MCIWorldCom, Sprint, Cable & Wireless, Qwest, GST and the Williams Company.

Private Line Services

Overview

Approximately 33.7% of total revenue in 1998, approximately 31.0% of total revenue in 1997, and 35.4% of total revenue in 1996 were generated by the private line business. We currently have over 275 active private line customers.

Strategy

We seek to expand our private line business through meeting these objectives:

- expand our network to provide additional capacity on existing routes and new high-capacity routes with access to major population centers (including routes that may be attractive to other major carriers as backup routes);

- provide high-quality, reliable private line services on a fixed-cost basis at rates generally below those currently offered by competitors; and

- use the expanded network as a platform to support increased private line circuit demand from Internet, ATM-Frame Relay, multimedia, and other capacity-intensive applications.

We have reduced expenses in the private line business related to transmission expense as traffic from circuits leased from other carriers moved onto our network.

Customers and Marketing

We have over 275 active private line customers, including AT&T, MCIWorldCom, Frontier, Sprint, PSINet, Cable & Wireless, Qwest and Level 3 Communications. We have historically enjoyed a high customer retention rate in the private line business.

Private line circuit capacity is generally marketed to: (1) ISP's to support their Internet business; (2) facilities-based carriers that require private line capacity where they have geographic gaps in their facilities, need additional capacity or require geographically different, alternative routing; and (3) non-facilities-based carriers requiring private line capacity to carry their customers' long distance traffic. Most of our direct sales efforts are focused on providing customer support services to existing customers and on adding new customers. A single sales force sells both private line and wholesale long distance services. That sales force consists of 43 account managers based at our headquarters in Austin and at direct sales offices in or near Washington, D.C., New Haven, San Francisco, Kansas City, Chicago, St. Louis, Houston and Sunrise Beach, Missouri.

During 1998 MCIWorldCom accounted for approximately 19.4% of our private line revenue. See "— Risk Factors — Reliance on Major Customers."

Prices and Contracts

Private line sales contracts are typically either service agreements that provide for recurring monthly payments or IRU agreements in which a large payment is received by us at the beginning of the service term.

The first type of sales contract is the monthly service agreement. These agreements generally provide for either a lease with original terms of 1 to 5 years and for monthly payment in advance on a fixed-rate basis, calculated according to the capacity and length of the circuit. Generally, month-to-month service agreements contain substantial "take or pay" commitments. Furthermore, circuit orders under private line agreements are generally for a term of one year or more and may not be canceled by the customer. However, the agreements generally provide that the customer may terminate service without penalty "for cause" in the event of substantial and prolonged outages arising from causes within our control, and for other defined causes. Generally, the lease agreements further provide that the customer may terminate the agreement "for convenience" at its discretion at any time upon giving us notice. However, termination for convenience generally requires either full payment of all charges through the end of the initial lease term or payment of substantial termination fees intended to allow the recovery of certain costs and, in some cases, lost profits. Damages attributable to a customer's termination of the agreement are generally reduced by an offset for any income earned from re-leasing the terminated capacity during the remaining portion of the lease term.

The second type of sales contract is the IRU agreement. IRU agreements generally give the customer the right to use a specified level of capacity for a fixed period. The terms of IRU agreements range from 10 to 20 years and are typically longer than the terms of monthly service agreements. IRU agreements are typically paid for by the customer at the time the contract is signed.

Competition

Our competitors in this business include AT&T, which is the largest supplier of long distance voice and data transmission services in the United States, MCIWorldCom, Sprint, Qwest, and the Williams Company. Certain of these competitors have substantially greater financial resources than we have and some have a more extensive transmission network than our network. Because of the Telecom Act and agreement with the World Trade Organization ("WTO"), countries are required to open world telecommunications markets to competition. This became effective on February 5, 1998, and so United States carriers could now face competition from foreign carriers. In the future, we will face competition from the RBOCs, GTE Corporation and others such as electric utilities and cable television companies. See "— Risk Factors — Competition."

Long Distance Switched Services

Overview

Long distance switched services are telecommunications services processed through digital switches and carried over long-haul circuits and other transmission facilities we own or lease. We sell long distance switched services on both a wholesale and a retail basis charging by minutes-of-use per call, with payment due monthly after services are rendered. In 1998, sales of long distance switched services accounted for approximately 62.0% of total revenue.

Strategy

We seek to increase margins from long distance switched services business through meeting these objectives:

- increase retail penetration in small and medium size businesses through our rapidly expanding retail sales force;
- offer higher-value integrated packages of dedicated circuit, Internet and long distance services to end users;
- offer pricing which is generally lower than that charged by AT&T and competitive with that of other long distance service providers

We seek to increase the profitability of the long distance switched services business by offering higher value packages of services, decreasing our average cost per minutes-of-use through efficiencies achieved with higher volumes and through reducing network costs through our network expansion. See "— Business Strategy."

Customers and Marketing

We intend to focus on selling retail long distance services directly to small and medium size businesses, targeting those businesses that use $1,000 or more per month of such services. At December 1998, 305 sales executives were responsible for selling retail long distance services. The wholesale business sales efforts have been focused on large reseller customers with monthly volumes of at least $1.0 million.

Excel. Excel has been our largest long distance switched services customer. In 1998 Excel accounted for 18.2% of total switched long distance revenue. Going forward, this will change as our contract with them has been amended to include both private line and long distance switched service business. We expect Excel to use more of our private line services and reduce its use of our long distance switched services.

Customer Contracts. Our rates for switched long distance services generally vary with the duration of the call, the day and the time of day the call was made and whether the traffic is intrastate, interstate or international. The rates charged are not affected by which facilities are selected by the switching centers for transmission of the call or by the distance of the call. Different rates are applied to combined origination and termination services than are applied to termination services. The agreements with customers for long distance switched services generally provide for payment in arrears based on minutes-of-use. The agreements generally also provide that wholesale customers may terminate the affected service without penalty in the event of substantial and prolonged outages arising from causes within our control, and for certain other defined causes. Generally, the agreements provide that the customer, in order to avoid being obligated to pay higher rates (or, in some cases, penalties), must use at least a minimum dollar amount (measured by dollars or minutes-of-use) of long distance switched services per month for the term of the agreement.

Customer Care. We believe that customer support is an important factor in attracting and retaining both wholesale and retail customers for our long distance switched services. Customer service for long distance switched services includes processing new accounts, responding to inquiries and disputes relating to billing, credit adjustments and cancellations and conducting technical repair and other support services. We manage customer care for wholesale customers using IXC Online, which is our proprietary customer service software

that is designed to allow customers to: (1) place orders for switched services; (2) arrange with the appropriate LEC to register the carrier as the designated long distance carrier for its new end users; and (3) download current call detail records for its end users for billing purposes.

Decreased Costs through Increased Volumes or Greater Efficiency

Large minutes-of-use volumes should enable us to spread fixed network costs over more minutes-of-use and to more efficiently configure our network, thereby reducing the average cost per minutes-of-use. We seek to efficiently configure the circuits available so that calls are completed on a cost-effective basis. Periodically, calling patterns are analyzed using mathematical formulas to determine the circuit capacity required to cost-effectively service the expected call volume. For example, if there is sufficient calling traffic available, the transmission circuitry in an area may be upgraded from DS-1 to DS-3. A similar analysis will be made when deciding whether to install a new switch in a region. We are continuing to develop procedures to better analyze expected traffic patterns in order to enhance network efficiency and identify customers generating an unprofitable mix of traffic.

Services

We market a variety of wholesale and retail switched long distance services, including 1-800, credit card, operator services, directory assistance, international service and the following:

1 Plus Switched Service. Provides direct-dial service over our network.

1 Plus Dedicated Service. Provides direct-dial service over our network for end users that have arranged to connect to our nearest hub through a local loop. This service is less expensive than 1 Plus Switched Service because the access charges of the end user's LEC are reduced.

800/888 Switched Service. Provides service for business over our network that allows calls to be made for specific location at no charge to the calling party. Use of the "800" or "888" service code denotes calls that are to be billed to the receiving party.

800/888 Dedicated Service. Provides 800/888 service over our network for end users that have arranged to connect to our nearest hub through a local loop. This service is less expensive than 800/888 Switched Service because the access charges of the end user's LEC are reduced.

Calling Card Service. Provides telephone card service.

Debit Card Service. Provides prepaid telephone card service.

Switched Termination Service. Provides carrier customers using a switch in one area with termination services in other areas.

Direct Access Line Service. Provides customers with direct access to long distance lines, bypassing the LEC lines.

Acquisitions and Investments

The acquisitions of Telecom One in July 1997 and Eclipse in June 1998 were made to enhance our retail sales growth, using shares of our common stock as consideration. We obtained 4.25 million shares of DCI Telecommunications, Inc. in November 1998, in consideration for a note from one of our customers which was also a vendor of DCI and other consideration. DCI is an international provider of telephone services, including long distance, prepaid telephone cards and Internet services. DCI has an option to repurchase all 4.25 million shares of its common stock from us through April 1, 1999, at a price of approximately $18 million. In the event the option is not exercised there will be an adjustment to the number of shares we own on June 1, 1999, if the 15-day volume weighted average price of the DCI shares is outside the range of $4.20 to $5.88. After this adjustment, if any, we will own common stock of DCI with a minimum value of approximately $18 million and a maximum value of $22 million. We account for this investment using the cost method.

In January 1999, we entered into an agreement (subject to certain regulatory requirements and other conditions) to acquire Coastal in exchange for shares of our common stock, warrants to purchase common stock, a note and cash. Coastal is a retail long distance service provider with over 100,000 small business customers. We may, from time to time, acquire other businesses, assets or securities of companies that we believe provide a strategic fit with our business and network. We continue to review potential acquisition candidates and have held discussions with several of these candidates. We may use our common stock as consideration for other acquisitions. See "— Risk Factors — Growth Through Acquisitions; Integration of Acquired Businesses."

Competition

We compete with numerous facilities-based interexchange carriers, some of which are substantially larger, have substantially greater financial, technical and marketing resources and use larger transmission systems. AT&T is the largest supplier of long distance switched services in the United States inter-LATA market. Other competitors in selling long distance switched services include (1) facilities-based carriers such as MCIWorldCom, Sprint, Frontier, and Qwest and certain regional carriers, and (2) non-facilities-based carriers. Because of the Telecom Act and the recent WTO Agreement, we will also face competition from the RBOCs, GTE and others such as electric utilities, cable television companies and foreign companies. We believe that the principal competitive factors affecting us are price, customer service (particularly with respect to speed in delivery of computer billing records and set-up of new end users with the LECs), ability of our network to complete calls with a minimum of network-caused busy signals, scope of services offered, reliability and transmission quality. The ability to compete effectively will depend upon our ability to maintain high-quality services at prices generally equal to or below those charged by our competitors. In the United States, price competition in the long distance business has been intensive over the last 5 years. The combination of MCI and Worldcom in 1998 and the 1995 classification by the FCC of AT&T as a "non-dominant" carrier, freeing it from price regulation, have resulted in decreasing long distance service prices. We believe that to compete with these large competitors, we need to price our services below theirs. See "— Risk Factors — Competition."

Data/Internet Services

Overview

Data/Internet services generated $9.0 million of revenue in 1998, representing approximately 1% of our 1998 revenue. Prior to 1998, we had less than $1.0 million of revenue in this segment.

Strategy

We plan on expanding our data/Internet business through meeting these objectives:

- expand our network's ability to carry digital traffic by using our 26 ATM-Frame Relay switches and using SONET technology that supports capacity-intensive products;
- increase the products available by having our 1998 Internet acquisitions act as product houses to quickly bring to market new Internet-related products;
- sell the products developed by this product group as both stand-alone products and as integrated products with our private line and long distance products;
- use our wholesale and retail sales forces to sell products developed by our data/Internet group; and
- implement a billing system that will invoice customers for data/Internet, private line and long distance services on one bill;

In February 1999, we announced an alliance with Cisco Systems, Inc. to deploy emerging packet-based technologies utilizing Cisco's internetworking solutions over our network. This alliance is working on areas of emerging Internet protocol internetworking such as packet over SONET product and service definition. As

part of this relationship, we will be deploying Cisco 12000-gigabit switch routers throughout an OC-48 advanced Internet backbone network called Gemini2000. Using this configuration, we will be positioned to offer end-to-end Internet Protocol based solutions at the customer premises.

Customers and Marketing

We had over 36,000 data/Internet customers at year-end 1998. These customers are generally small and mid-size businesses which use our services to enhance internal communications and communications and commerce with their customers. In 1998 we had no materially significant customers in this segment of our business.

Our wholesale and retail sales forces provide the direct sales efforts for these services. These sales forces have sales offices in major cities throughout the United States. Our wholesale and retail customer service departments provide customer care for these customers. Technological issues are handled by our employees in the product development area.

Prices and Contracts

The data/Internet segment includes a variety of services; therefore, we do not have a standard agreement. Agreements for non-usage based services are generally 12 month agreements which may be terminated by either side with 30 days notice. These agreements may contain a minimum take or pay period. These services are generally billed to the customer in advance of the service being provided. Usage based services are typically also 12 month agreements with 30 day termination available. The customer is generally billed after the services are provided. Agreements for one-time services, such as consulting work, are for specific work performed and are billed to the customer based either upon project completion criteria or upon when the services have been completed.

Acquisitions and Investments

From March through June 1998, we acquired four companies to expand our data/Internet product offerings, as follows:

- We acquired NEI, a company that provides data consulting services and network design solutions. Beginning in 1999 NEI will also become a Cisco Systems, Inc. certified training center;
- We acquired Data Place, which supplies companies with complete network systems integration solutions. This acquisition gave us additional expertise in the systems integrator channel for selling broadband services.
- We acquired NTR, an ISP located in Louisville, Kentucky. NTR offers custom back office support to wholesale customers as well as multiple Internet dial-up services. Through this subsidiary, we offer a fully operational back office solution, including a private label capability for supporting wholesale accounts. This affords us wholesale dedicated and dial-up products for both our wholesale and retail customer bases.
- We acquired the assets of SMARTNAP, a subsidiary of SMART Technologies in Austin, Texas. SMARTNAP is an ISP that provides aggregated Internet access, collocation of Web servers and routers and end-site Internet managed connectivity. These operations gave us an immediate entry into Web hosting and dedicated Internet connectivity markets.

In February 1998 we consummated agreements with PSINet in which we provided PSINet an IRU in 10,000 miles of OC-48 capacity on our network over a 20-year period in exchange for 10.2 million shares of PSINet's common stock. The 10.2 million shares of PSINet stock was valued at $211.6 million at December 31, 1998. We also acquired 34% of Applied Theory, which gave us access to critical Internet expertise. Applied Theory services the New York state research and education community.

Competition

There are many competitors in the data/Internet field. Competition for consultative type services range from individuals to large consulting firms such as Andersen Consulting. Competition for providing Internet service comes from ISPs of all sizes including MCIWorldCom, which acquired UUNet, and PSINet.

Some of our competitors have substantially greater financial, technical and marketing resources. They also have more experience in delivering Internet-related products and therefore, have greater market share and brand-name recognition. In addition, traditional telecommunications carriers, such as AT&T, Cable & Wireless and Sprint compete with us in offering Internet access services. These carriers have greater network coverage and large existing customer bases as well as greater financial and technical resources. Internet-related businesses compete based on price, customer service, and quality of service delivery. The level of competition we expect to experience in the business is affected by consolidations and mergers of existing Internet service and backbone providers and the entry into the Internet service market of traditional telephone service providers including CLECs and other interexchange carriers.

Regulation

Certain of our subsidiaries operate as communications common carriers. These subsidiaries are subject to applicable FCC regulations under the Communications Act of 1934, as amended (the "Communications Act"), some of which may be affected by the Telecom Act and regulations already promulgated and currently being developed thereunder. See "— Risk Factors — Recent Legislation and Regulatory Uncertainty." In addition, those subsidiaries that operate our microwave network are subject to applicable FCC regulations for use of the radio frequencies. The FCC issues licenses to use certain radio frequency spectrum at transmitter site locations. Each license gives the right to operate a microwave radio station for the term of the license. Currently, we hold licenses to operate the microwave sites in the network. The licenses all expire in 2001. These licenses are renewable upon application containing a statement that they are used in compliance with the applicable FCC rules. We expect that the FCC will renew these licenses in due course. The Communications Act currently limits ownership of an entity holding such licenses by non-U.S. citizens, foreign corporations and foreign governments. We are subject to regulation by the Federal Aviation Administration with respect to the construction of transmission towers and to certain local zoning regulation affecting construction of towers and other facilities.

Recent court decisions (which were issued before the Telecom Act) require the FCC to require carriers to file tariffs. However, the FCC currently does not actively exercise its authority to regulate such carriers' rates and services. Moreover, the Telecom Act gives the FCC authority to forbear from applying certain provisions of the Communications Act, including the requirement that carriers file tariffs. In 1997, the FCC issued an order implementing a mandatory detariffing policy that eliminates the tariff requirements for non-dominant interstate, interexchange carriers. An appeal of the FCC's order resulted in the order being stayed. The appeal is being held in abeyance, pending the FCC's action on motions for reconsideration. In this proceeding, on March 18, 1999, the FCC adopted rules requiring long distance carriers to disclose their rates on the Internet, once interstate long distance services have been detariffed. The FCC's public disclosure rules will not go into effect until the appellate court has ruled on the merits of the stayed appeal. Regardless of the outcome of the detariffing proceeding, the FCC will retain jurisdiction to act upon complaints against any common carrier for failure to comply with its statutory obligations as a common carrier.

The FCC regulates many of the rates, charges and services provided by the LECs. Such regulation can also affect the costs of our business and for our customers and competitors, because carriers must purchase local access services from LECs to originate and terminate calls. The FCC's current price cap regulation of the RBOCs and other LECs provides them with considerable flexibility in pricing their services. Pursuant to the Telecom Act, the FCC issued two orders regarding access charge reform and transport rate structure and pricing. The FCC's access charge reform order was recently affirmed by the U.S. Court of Appeals for the Eighth Circuit. LEC tariffs implementing the requirements of the FCC orders have gone into effect. The FCC recently sought additional comments on access charge reform, and the outcomes of any subsequent FCC rulemaking proceedings are impossible to predict. Future changes with respect to access charges may occur.

Further, on July 18, 1997, in *Iowa Utilities Board v. FCC*, the United States Court of Appeals for the Eighth Circuit invalidated key portions of the FCC's August 29, 1996 interconnection order, which the FCC had adopted to facilitate the emergence of local exchange competition. The Eighth Circuit's order was appealed to the United States Supreme Court, and on January 25, 1999, the Supreme Court overturned the Eighth Circuit's ruling. The Supreme Court reinstated most aspects of the FCC's interconnection rules. However, the Supreme Court remanded to the FCC the issue of which specific local exchange network elements must be made available to competitors of local exchange carriers. The further emergence and development of local exchange competition may likely be delayed because of appeals of other aspects of the interconnection order and the FCC's decision on the remand issue. Consequently, long distance companies such as us may not benefit as quickly from the lower access costs that might otherwise have resulted had competition in the provision of local access services not been delayed.

The Telecom Act directed the FCC to establish a system for compensating payphone service providers ("PSPs") on a per-call basis for calls made from payphones, including coinless calls, such as calling card, collect, and "800" calls. On October 9, 1997, the FCC released an order that set a $0.284 per-call "default" rate that long distance carriers are required to pay to PSPs for certain coinless calls. The FCC's order went into effect, but was appealed, and the order was subsequently remanded to the FCC. The FCC recently issued an order setting a default rate of $0.24 per call. However, the new order has not yet gone into effect. Further, the new order is likely to be appealed. Accordingly, the amount of compensation long distance carriers will ultimately be required to pay to PSPs is currently uncertain.

In addition, the Telecom Act allows the RBOCs and others to enter the long distance business. Entry of the RBOCs or other entities such as electric utilities and cable television companies into the long distance business may have a negative impact on IXC or our customers. The Telecom Act also establishes criteria for RBOC re-entry into in-region long distance markets, and RBOCs are required to obtain FCC approval before they can begin providing such services. To date, the FCC has rejected 5 such RBOC applications, at least one of which was appealed. In that proceeding, the FCC's order denying the application was recently upheld by the appellate court. On December 31, 1997, the U.S. District Court for the Northern District of Texas ruled that the provisions of the Telecom Act that apply specifically to RBOCs are unconstitutional. On February 11, 1998, the District Court stayed its order, and the order was appealed. On September 4, 1998, the U.S. Court of Appeals for the Fifth Circuit overturned the district court's December 31, 1998 Order. The U.S. Court of Appeals for the D.C. Circuit has also rejected arguments that the Telecom Act's restrictions on RBOC reentry are constitutional. Further, the FCC has been working with the RBOC, using a "collaborative process," to facilitate the review and ultimately the approval of such applications.

The Telecom Act also provides that state proceedings may in certain instances determine access charge long distance providers are required to pay to the LECs. It is uncertain at this time what effect such proceedings may have on such rates. There can be no assurance that such rates will not be increased. Such increases could have a material adverse effect on our customers and us. See "— Risk Factors — Recent Legislation and Regulatory Uncertainty" and "Industry Overview."

Our ability to provide long distance services within any state is generally subject to regulation by a regulatory board in that state. As of December 31, 1998, we are operating and have obtained the requisite licenses and approvals in the 48 contiguous continental United States.

Marca-Tel

At December 31, 1998, we owned 50% of Progress International, LLC, which owned 49% of Marca-Tel. This resulted in our indirect ownership in Marca-Tel of 24.5%. The remaining 51% of Marca-Tel was owned by a Mexican individual and a subsidiary of Fomento Radio Beep, S.A. de C.V. The other 50% of Progress was owned by Westel International, Inc. Marca-Tel is developing a telecommunications network in Mexico.

Through December 31, 1998, we had invested $44.8 million in Progress, including $14.9 million made on behalf of Westel. In 1998 Westel agreed to give us a note for $14.9 million to repay us for certain contributions previously made to Progress on Westel's behalf. The balance of the note receivable from Westel at December 31, 1998, was $9.4 million. The final note payment was due in May 1999 and was secured by a

portion of Westel's ownership in Progress. In March 1999 Westel agreed to transfer certain of its share interest collateral to us as repayment of Westel's note payable to us. We gave Westel the right to repurchase such share interests no later than May 31, 1999.

We account for Progress and Marca-Tel using the equity method of accounting. Through the third quarter of 1998, we recognized our share of losses from Progress and Marca-Tel based on the relative amount of funds we contributed to Progress compared to Westel. Beginning with the fourth quarter of 1998, the sum of our remaining investment in Marca-Tel and the promissory note from Westel was below zero due to the amount of losses we previously recorded; therefore, we suspended recognition of losses from Marca-Tel. We will continue to suspend recognition of losses until Marca-Tel begins reporting net income and all suspended losses have been recovered.

In September 1995 Marca-Tel entered into an agreement with a vendor to construct a portion of Marca-Tel's telecommunications network in Mexico and to provide significant financing for construction and related equipment and fiber purchases. The vendor has been granted security interests in all of Marca-Tel's assets, including the telecommunications network, and the owners of Marca-Tel, including Progress, have pledged their interests in Marca-Tel to collateralize payment to the vendor. As of December 31, 1998, Marca-Tel owed approximately $77.1 million to the vendor. In February 1999, Marca-Tel amended its credit agreement with the vendor. Marca-Tel restructured its financing and deferred certain payments until June of 1999. In exchange, Marca-Tel granted the vendor the right to acquire up to ten percent of Marca-Tel's non-voting common shares. As of March 1, 1999, the vendor owned 7% of the common equity of Marca-Tel. This has diluted our ownership interest. Progress' overall ownership in Marca-Tel is now 48%, and our indirect interest is now 24%. If Marca-Tel does not pay the vendor, it will be in default under its amended credit agreement.

Marca-Tel has put further investment in new fiber routes on hold and reduced its scope of operations, awaiting more suitable regulatory and market conditions. We do not anticipate providing significant additional funding to Progress for investment in Marca-Tel until the regulatory and market conditions in Mexico improve. We are not obligated to continue to fund Progress or Marca-Tel. Our existing indentures and our $600 million credit facility contain significant limitations on the amount we may invest in Marca-Tel and other non-majority owned entities. However, failure to provide further significant funding to Progress may prevent Marca-Tel from meeting its financial obligations and may result in the foreclosure of the vendor's security interest. Our interest in Progress, and thus our indirect interest in Marca-Tel, could be lost entirely.

Employees

At December 31, 1998, we employed 1,567 people, of whom 568 provided operational and technical services, 62 provided engineering services and the balance were engaged in administration and marketing. Our employees are not represented by any labor union. We consider our employee relations to be good and have not experienced any work stoppages.

RISK FACTORS

Negative Cash Flow and Capital Requirements

Significant Amount of Capital Expenditures Required in our Business

Our capital expenditures were $476.4 million and our interest cost including capitalized interest was $47.9 million in 1998. Our earnings before interest, taxes, depreciation and amortization, or EBITDA, were $90.7 million in 1998. Our cash flow from operating activities was $202.3 million and our net loss was $162.5 million in 1998. We expect to make capital expenditures of over $600 million during 1999 and substantial amounts thereafter. We expect to meet the cash requirements of our capital expenditures from:

- cash on hand;
- cash flow from fiber sales and operations; and
- borrowings under our $600 million credit facility;
- additional equity and/or debt financings; and
- vendor financing, if available;

We expect to incur significant additional debt to fund our capital expenditures and expand our business. Among other factors, cost-saving arrangements, increases or decreases in traffic on our network, and unexpected costs, delays or advances in the timing of capital expenditures may cause capital expenditures to vary materially.

Our ability to make capital expenditures depends in part on:

- completing our network expansion as scheduled;
- satisfying our fiber sale obligations;
- entering into cost-saving arrangements with carriers or other large users of fiber capacity;
- meeting financial covenants to allow borrowing under our bank credit line;
- otherwise raising significant capital; and/or
- increasing cash flow.

Our failure to accomplish any of these may significantly delay or prevent capital expenditures. If we are unable to make our capital expenditures as planned, our business may grow slower than expected. This would have a material adverse effect on our business, financial condition and results of operations and the value of our securities.

Insufficient Cash Flow from Operations

We need cash to meet the operating expenses of our long distance switched services and data/Internet businesses. These services are processed through digital switches and delivered over long-haul circuits and other transmission facilities. To offer long distance switched services, we installed switches and connected them to our network and to the local exchange carriers or LECs, who provide local telephone services. We acquired new software and hired personnel to establish a national switched network. Our long distance switched services business did not generate sufficient gross margins to cover the operating expenses required to support this business. Our goals for continued gross margin improvement include:

- obtaining traffic that meets our profitability requirements and aligns with our current and planned network;
- identifying new high-value products and customers with large capacity requirements;
- identifying Internet, intranet and data traffic opportunities; and

- identifying joint venture and acquisition candidates to increase the flow and mix of traffic on our network and increase our global reach.

We cannot guarantee that we will be able to generate sufficient gross margins in the long distance switched services business in the future. For a discussion of important factors that could cause the failure of our long distance switched services business to generate sufficient gross margin, see "— Development Risks and Dependence on Long Distance Switched Services Business."

Significant Amount of Interest and Dividend Payments

We currently make interest payments on our 9% Senior Subordinated Notes of which there is $450 million in principal outstanding. We also make interest and principal payments under a $28 million secured equipment financing facility with NTFC Capital Corporation and Export Development Corporation of which $23.8 million was outstanding at December 31, 1998. In addition, we also make interest payments on a $600 million credit agreement with institutional lenders of which $200 million was borrowed at December 31, 1998. We will also have payments due for other debts we may incur. Dividends on our 7¼% Convertible Preferred Stock are payable quarterly in cash, except that such dividends may be paid in additional shares of 7¼% Convertible Preferred Stock on or before March 31, 1999. Dividends on our 12½% Exchangeable Preferred Stock are payable in cash except that such dividends may be paid in shares of the same stock on or before February 15, 2001. Dividends on our 6¾% Convertible Preferred Stock are payable quarterly in cash, except that we may pay dividends using shares of common stock if we are prohibited from paying dividends in cash under the terms of our debt agreements. Our ability to meet our debt and dividend obligations and to obtain additional funding could be impaired by the following factors:

- delays in our network expansion;
- larger than anticipated capital expenditures for our network; and
- continued negative cash flow from the long distance switched services business.

Any of these factors would have a material adverse effect on our business, financial condition and results of operations since we might not have sufficient cash to make these payments when required. See "— Risks Relating to the Network Expansion and acquiring Rights-of-Way and Permits," and "— Development Risks and Dependence on Long Distance Switched Services Business."

We may have to curtail or delay our planned network expansion if we are unable to obtain financing on acceptable terms, complete our existing fiber sales, or sell additional equity and/or debt securities. Furthermore, we may be required to obtain the consent of, or repay, our debtholders before acquiring additional debt. Our failure to obtain additional financing or the decision to cut back or delay our network expansion could have a material adverse effect on our business, financial condition and results of operations and the value of our securities.

The cash requirements described above do not include any cash that may be required for acquisitions we may make. We have entered into an agreement to acquire Coastal. We will be required to pay $62.5 million in cash and we have an option to pay an additional $25 million in cash instead of using our common stock to complete the acquisition. See "— Growth Through Acquisitions; Integration of Acquired Businesses."

Substantial Indebtedness and Ability to Service Debt

We have a substantial amount of debt. As of December 31, 1998, we had approximately $679.0 million of long-term debt and capital lease obligations principally consisting of the 9% Senior Subordinated Notes and the $200 million credit agreement.

Under our credit facility with several institutional lenders, we may, if certain conditions are met, borrow up to $600 million of which $200 million has been borrowed as of December 31, 1998. We are in discussions with various investment bankers, vendors and lending institutions regarding additional debt financing transactions. If we complete additional debt financing transactions, or if we exchange our 12½% Exchangeable

Preferred Stock for 12½% Subordinated Exchange Debentures, as allowed under our charter documents, our level of debt will increase even further.

Our large amount of indebtedness could significantly impact the holders of our common stock and our other securities, due to the following:

- All or most of our cash flow from operations could be needed to meet our debt obligations and would not be available for use in our business.
- We could be more vulnerable if there is a downturn in our business or in general economic conditions or if interest rates increase.
- Our ability to obtain additional financing for working capital, capital expenditures or other reasons may be limited.
- We may be at a competitive disadvantage with our competitors who are not as highly leveraged.

Our ability to satisfy our debt obligations depends on our future operating performance and our ability to obtain additional debt or equity financing. Economic conditions and financial, business and other factors, many of which are beyond our control, will affect our ability to make these payments. If we are unable to generate sufficient cash from operations to make the scheduled payments on our 9% Senior Subordinated Notes or meet our other obligations, we will need to refinance or obtain additional financing. We cannot assure you that our cash flow from operations will be sufficient to meet our debt obligations as they become due or that we will be able to satisfy the dividend and redemption requirements of our preferred stock for the next several years. If we do not substantially improve our operating results, we could face significant liquidity problems which would require us to raise additional capital by issuing debt or equity securities. We cannot assure you that we will be successful in obtaining such financing.

Recent and Expected Losses

We reported a net loss of $162.5 million for the year ended December 31, 1998 and a net loss of $99.2 million for the year ended December 31, 1997. These net losses may continue. During the remainder of 1999 and thereafter, our ability to generate operating income, EBITDA and net income will depend largely on demand for the private line circuits constructed in our network expansion and the success of our long distance switched services and data services. We cannot assure you that we will be profitable in the future. Failure to accomplish these goals will impair our ability to:

- meet our obligations under the 9% Senior Subordinated Notes, our $600 million credit facility, or other indebtedness;
- pay dividends on our preferred stock; or
- raise additional equity or debt financing needed to expand our network or for other reasons.

These events could have a material adverse effect on our business, financial condition and results of operations and the value of our securities.

Risks Relating to the Network Expansion and Acquiring Rights-of-Way and Permits

Our continuing network expansion is an essential element of our future success. In the past, we have experienced delays in constructing our network and may experience similar delays in the future. These delays have prevented us from transferring long distance traffic from leased facilities to our facilities. We have substantial existing commitments to purchase materials and labor for expanding our network. In addition, we will need to obtain additional materials and labor that may cost more than anticipated. Some sections of our network are constructed by other carriers or their contractors pursuant to cost-saving arrangements. One type of cost-saving arrangement is where another carrier constructs a route and includes additional fibers for our use. We cannot guarantee that these third parties will complete their work according to schedule. If any delays prevent or slow down our network expansion our financial results and the value of our securities would be materially and adversely effected.

The expansion of our network depends, among other things, on acquiring rights-of-way and required permits from railroads, utilities and governmental authorities on satisfactory terms and conditions and on financing such expansion, acquisition and construction. In addition, after our network is completed and required rights and permits are obtained, we cannot guarantee that we will be able to maintain all of the existing rights and permits. If we fail to obtain rights and permits or we lose a substantial number of rights and permits our financial results would suffer which could have a material adverse effect on our business, financial condition and results of operation and the value of our securities.

Risk of Network Failure

To successfully market our services to business and government users, our network must have sufficient capacity and be reliable and secure. Our network and other companies' networks that we use can sometimes experience physical damage, power loss, capacity limitations, software defects, breaches of security (by computer virus, break-ins or otherwise) and other disruptions. All of these hazards may cause interruptions in service or reduced capacity for customers. Poor service due to interruptions or reduced capacity could negatively impact our business, financial condition and results of operations and the value of our securities.

Pricing Pressures Due to Industry Over-Capacity

The long distance transmission industry has generally been characterized by over-capacity and declining prices since shortly after the AT&T break-up in 1984. We believe that in the last several years, increased demand has somewhat reduced the excess capacity and as a result, reduced competition in pricing. However, we anticipate that our prices will continue to decline over the next several years because of new competition. Other long distance carriers (new and existing) are expanding their capacity and may construct new fiber optic and other long distance transmission networks. As a result of the recent mergers, companies such as MCIWorldCom, Inc. and Qwest have become stronger competitors with larger networks and greater capacity. In addition, the Williams Companies, Inc. has also announced that it is accelerating the expansion of its national fiber optic network with a $2.7 billion investment to create a 32,000 mile system by the end of 2000. There can be significant barriers to building a fiber optic network for companies entering the long distance business, including substantial construction costs, the difficulty and expense of securing rights-of-way, establishing and maintaining a sufficient customer base, recruiting and retaining personnel and maintaining a reliable network. We believe that although some new entrants face these barriers, others (such as Qwest, utility companies or railroads which already have significant rights-of-way) may not experience some or any of these difficulties. For example, Level 3 Communications, Inc. has announced it is constructing a 15,000 mile fiber optic communications network using Internet technology, with completion expected in the first quarter of 2001.

Not only are our competitors expanding existing networks and building new networks, these networks will have greater capacity. Because the cost of fiber is a relatively small portion of the cost of building new transmission lines, companies building such lines are likely to install fiber that provides far more transmission capacity than will be needed over the short or medium term. Further, recent technological advances have shown the potential to greatly expand the capacity of existing and new fiber optic cable. Although such technological advances may enable us to increase our network's capacity, an increase in our competitors' capacity could adversely affect our business. If overall capacity in the industry exceeds demand in general or along any of our routes, severe additional pricing pressure could develop. Certain industry observers have predicted that, within a few years, there may be dramatic and substantial price reductions and that long distance calls will not be much more expensive than local calls. In addition, several companies (including AT&T and ICG Communications, Inc.) have announced plans to offer long distance voice telephony over the Internet at substantially reduced prices. Price reductions could have a negative and material impact on our business and the value of our securities.

Development Risks and Dependence on Long Distance Switched Services Business

Our success in the long distance switched services business depends on generating significant customer traffic, managing an efficient switched long distance network, providing reliable customer service and

completing our network expansion on schedule. We have only been managing a switched long distance network since 1996 and we cannot assure you that this segment of our business can generate significant gross profits. Our failure to accomplish any of our objectives would have a material adverse effect on our results of operations. Our long distance switched services business requires cash to meet its operating expenses and has generated low gross margins since 1998 due to access costs and uneven traffic patterns creating high network overflow costs. These gross margins are too low to fund the operating costs supporting the switched services business.

Access charges are the fees paid by long distance carriers to LECs for originating and terminating long distance calls on their local networks. In 1998, the FCC mandated a new rate structure for access charges in which a fixed charge was instituted for connections to the LECs' serving wire centers (direct trunk transport charge). This charge was in addition to the existing unitary charge assessed on a minutes of use basis. Large carriers who connect directly to the LECs' local end office facilities are able to avoid a large portion of the direct trunk transport charge, and therefore, benefit from the new access structure. Connection to local end office facilities is economically justifiable only where there are large minute of use volumes. Because our volumes do not justify as many direct local office connections as do the volumes of larger carriers, we may be at a cost disadvantage, versus our larger competitors.

We seek to improve the gross margins generated by our long distance switched services business by expanding our network, by increasing the number of our end-user customers who are medium size businesses, and by increasing our suite of higher-value services. Important factors, some of which are beyond our control, which could cause the failure of our long distance switched services business to generate higher gross margin include:

- changes in reseller customers' businesses;
- an inability to attract new customers or problems with transferring them to our network;
- loss of existing customers;
- problems operating the switched network;
- customer billing issues;
- credit and collection issues;
- delays in expanding our network; and
- increased expenses related to access charges and network overflow.

Our long distance switched services business credit risk is substantially greater than that for our private line business. This is because long distance switched services customers are billed at the end of the month on the basis of minutes of use and because many long distance switched services customers are not as well capitalized as most of our private line customers.

Risks Inherent in Rapid Growth

Part of our business strategy is to grow quickly by expanding our long distance switched services and data/Internet businesses through selective acquisitions and expanding our network. In addition, we may grow by acquiring resellers of long distance services, such as Coastal, Eclipse and Telecom One, which we believe provide a strategic fit with our business and network. See "— Growth Through Acquisitions; Integration of Acquired Businesses." Rapid growth has placed, and will continue to place, a significant and increasing strain on our financial, management, technical, information and accounting resources. See "— Dependence on Billing, Customer Services and Information Systems." Our continued rapid growth requires:

- hiring and training new personnel;
- satisfactory performance by our customer interface and billing systems;
- developing and introducing new products; and
- controlling our expenses.

If we fail to satisfy these requirements, or otherwise manage our growth effectively, our business and the value of our securities would be materially and adversely effected.

Dependence on Billing, Customer Services and Information Systems

Sophisticated information and processing systems are vital to our growth and our ability to monitor costs, bill customers, fill customer orders and efficiently operate our business. In the past, we have produced billing and information systems in-house with partial reliance on third-party vendors. These systems have generally met our needs due in part to the low volume of customer billing. As our long distance operation grows, the need for sophisticated billing and information systems will significantly increase. As we integrated Eclipse's operations, some billing system issues arose which increased our customer turnover. These issues are being addressed and corrected. No assurance can be given that these difficulties will be solved quickly or completely.

The development and implementation of our future billing systems relies, for the most part, on third party vendors delivering products and services. The following could have a material adverse effect on our business, financial condition and results of operations:

- vendors failing to deliver proposed products and services in a timely and effective manner and at acceptable costs;
- our failure to adequately identify all of our information and processing needs;
- the failure of our related processing or information systems, including a failure to solve current difficulties; or
- our failure to upgrade systems as necessary.

Year 2000 Risks

Some of our older computer programs identify years with two digits instead of four. It is possible that some of our programs may recognize the Year 2000 as the year 1900. These Year 2000 problems could result in a system failure or miscalculations that disrupt operations, including a temporary inability to process transactions, send invoices or engage in similar normal business activities. We have identified the programs that will have to be modified or replaced in order to function properly in the Year 2000 and thereafter. We believe that the cost of modifying those systems that were not already scheduled for replacement for business reasons before 2000 is immaterial. Updating the current software to be Year 2000-compliant is scheduled to be completed by mid-1999, before any anticipated impact on operating systems. We do not expect Year 2000 problems to have a material adverse effect on our internal operations, but it is possible that they could have a material adverse effect on our customers, suppliers and other business partners and their ability to provide service or accurate invoices for services and to accurately process payments. It is also possible that Year 2000 problems could have a material adverse effect on our customers and their ability to continue using our services, to collect from their customers and to pay us for services. The cumulative effect of such problems, if they occur, could negatively impact our business, financial condition and results of operations and the value of our securities.

Growth Through Acquisitions; Integration of Acquired Businesses

Part of our growth strategy includes the possible acquisition of businesses, assets or securities of companies that we believe provide a strategic fit with our business and our network. The success of our strategy is dependent on our ability to identify suitable acquisition candidates, acquire such companies on suitable terms and integrate their operations with our operations. We may be unable to acquire other companies on suitable terms or otherwise successfully expand our business and product offerings through acquisitions. Moreover, other telecommunications companies are actively competing for acquisition candi-

dates, which may result in an increase in the price of acquisition candidates. Risks commonly associated with acquisitions include:

- potential exposure to unknown liabilities of acquired companies;
- difficulty and expense of integrating the operations, personnel, and billing systems of the companies;
- potential disruption to our business;
- potential diversion of management time and attention;
- strained relationships with, and the possible loss of, key employees and customers of the acquired business;
- increased amortization expense if an acquisition is accounted for as a purchase; and
- dilution to our stockholders if the acquisition is made for stock.

We continually review and evaluate acquisition candidates to complement and expand our business, and are at various stages of evaluation and discussion with a number of such candidates. We have not entered into a definitive purchase or acquisition agreement for any acquisition candidate other than Coastal and there is no assurance that we will complete a transaction with any of the candidates with whom we are currently in negotiations. In addition, it is possible that a substantial number of shares of our common stock or a significant amount of cash could be used for one or more acquisitions. We intend, when possible, to use our common stock to pay for all or a portion of the purchase price for future acquisitions. Our ability to use our common stock could be adversely affected if our common stock does not maintain sufficient value, potential acquisition candidates are unwilling to accept our common stock as consideration for the sale of their businesses, or we do not have a sufficient number of authorized shares of common stock to effect such acquisition.

Any acquired businesses will need to be integrated with our existing operations. This will entail, among other things, integration of switching, transmission, technical, sales, marketing, billing, accounting, quality control, management, personnel, payroll, regulatory compliance and other systems and operating hardware and software, some or all of which may be incompatible with our existing systems. We have limited expertise dealing with these problems. We cannot assure you that services, technologies or businesses of acquired companies will be effectively assimilated into our business or product offerings or that they will contribute materially to our revenues or earnings. In particular, transferring substantial amounts of additional traffic to our network can cause service interruptions and integration problems. The risks associated with acquisitions could have a material adverse effect on our business, financial condition and results of operations and the value of our securities.

Reliance on Major Customers

A relatively small number of customers account for a significant amount of our total revenues. Our 10 largest customers in 1998 accounted for approximately 46.7% of our revenues. Our 10 largest customers in 1997 accounted for approximately 49.2% of our revenues.

Most of our arrangements with large customers do not provide any guarantees that they will continue using our services at current levels. In addition, if our customers build their own facilities, our competitors build additional facilities or there are further consolidations in the telecommunications industry involving our customers, then our customers could reduce or stop their use of our services which could have a material adverse effect on our business, financial condition and results of operations.

Dependence Upon Sole and Limited Sources of Supply

We rely on other companies to supply key components of our network infrastructure, including telecommunications services, network capacity and switching and networking equipment. These components are available only from sole or limited sources in the quantity and quality that we demand. We also depend on LECs to provide telecommunications services and facilities. In the past, we have experienced delays in receiving telecommunications services and facilities, and we cannot be certain that we will be able to obtain

such services or facilities at an affordable cost, or at all in the future. If we can not obtain such services or additional capacity on a timely basis or at an affordable cost, our business, financial condition and results of operations would be materially and adversely effected. We also depend on our suppliers for products that comply with various Internet and telecommunications standards, work with products from other vendors and correctly function in our network. If our suppliers failed to provide such products, our business, financial condition and results of operations would be materially and adversely affected.

Competition

The telecommunications industry is highly competitive. Many of our competitors and potential competitors have far greater financial, personnel, technical, marketing and other resources than we do. Many also have a more extensive transmission network. These competitors may build additional fiber capacity in the geographic areas that our network serves or in which we plan to expand. Qwest, for example, is building a new nationwide long distance fiber optic network and Frontier Corporation has agreed to pay $500 million to obtain fibers in Qwest's network. In addition, MCIWorldCom and Qwest have each become larger competitors of ours in connection with recent mergers. Furthermore, Williams' announced network expansion and Level 3's proposed new network will provide additional competition. Many telecommunications companies are acquiring switches and our reseller customers will have more alternatives for meeting their switched long distance services needs. We compete primarily on the basis of pricing, availability, transmission quality, customer service (including the capability of making rapid additions to add end users and access to end-user traffic records) and variety of services. Our ability to compete effectively depends on our ability to maintain high-quality services at prices generally equal to or lower than those of our competitors.

An alternative method of transmitting telecommunications traffic is through satellite transmission. Satellite transmission is superior to fiber optic transmission for distribution communications, like video broadcasting. Although satellite transmission is not preferred to fiber optic transmission for voice traffic in most parts of the United States because it exhibits an approximately one-quarter-second delay, this slight time delay is unimportant for many data-oriented uses. If the market for data transmission grows, we will compete with satellite carriers in that market. Also, at least one satellite company has announced its intention to provide Internet access services to businesses through satellite technology.

We compete with large and small facilities-based interexchange carriers as well as with other coast-to-coast and regional fiber optic network providers. We also sell long distance switched services to both facilities-based carriers and non-facilities-based carriers (switchless resellers), competing with facilities-based carriers such as AT&T, MCIWorldCom and Sprint, and certain regional carriers. Our competition is based on such factors as price, transmission quality, network reliability and customer service and support. Our ability to compete effectively in our markets depends upon our ability to maintain high quality services at prices equal to or less than those of our competitors, many of whom have extensive experience in the long distance market. In addition, the federal government enacted the Telecom Act, which allows the RBOCs and others to enter the long distance market. When RBOCs enter the long distance market, they may acquire, or take substantial business from, our customers or us. We cannot assure you that we will be able to compete successfully with existing competitors or new entrants in our markets. Our failure to do so would have a material adverse effect on our business, financial condition and results of operations and the value of our securities. See "— Risks Related to Technological Change" and "Business — Regulation."

On February 15, 1997, the United States Trade Representative designate announced that an agreement had been reached with World Trade Organization countries to open world telecommunications markets to competition. The agreement, known as the WTO Basic Telecommunications Services Agreement or the WTO Agreement, became effective on February 5, 1998. The WTO Agreement provides U.S. companies with foreign market access for local, long distance, and international services, either on a facilities basis or through resale of existing network capacity. The WTO Agreement also provides that U.S. companies can acquire, establish or hold a significant stake in telecommunications companies around the world. Conversely, foreign companies will be permitted to enter domestic U.S. telecommunications markets and acquire ownership interest in U.S. companies. On June 4, 1997, the Federal Communications Commission or the FCC initiated a rulemaking proceeding to bring FCC policies and procedures into conformance with the WTO Agreement. On

November 26, 1997, the FCC released an order on foreign entry, although a petition for reconsideration of the order is pending. While the outcome of the petition for reconsideration cannot be predicted, foreign telecommunications companies could also be significant new competitors to our customers or us. See "Business — Industry Overview," "Business — Private Line Services" and "Business — Long Distance Switched Services."

Development Risks of the ATM-Frame Relay Transmission Business

We began offering ATM-Frame Relay and other data transmission services during the first quarter of 1997. Although we have not yet generated significant revenues from this business, we believe that Internet related services and data transmission services present a promising opportunity for us. To succeed in providing these services, we must compete with AT&T, Sprint, MCIWorldCom and other large competitors. In addition, we expect that we will need to continue to upgrade our network (in advance of related revenues) to be competitive. Providing Internet and data transmission services involves technical issues with which we have limited experience. In addition, providing these services must be successfully integrated with our existing businesses. Unless we are able to successfully compete in providing these services, we will not realize a return on our investment in data switches and other equipment and we will not benefit from the growth, if any, in demand for these services. A failure to successfully compete in Internet related services and data transmission services could have a material adverse effect on our business, financial condition and results of operations and the value of our securities.

Recent Legislation and Regulatory Uncertainty

Some of our operations are regulated by the FCC under the Communications Act of 1934. In addition, some of our businesses are regulated by state public utility or public service commissions. Regulatory or interpretive changes in existing legislation or new legislation that affects our operations could have a material adverse effect on our business, financial condition and results of operations. In 1996 the federal government enacted the 1996 Telecom Act, which, among other things, allows the RBOCs and others to enter the long distance business. Entry of the RBOCs or other entities such as electric utilities and cable television companies into the long distance business may have a negative impact on our customers or us. We anticipate that some entrants will be strong competitors because, among other reasons, they may:

- be well capitalized;
- already have substantial end-user customer bases; and/or
- enjoy cost advantages relating to local loops and access charges.

The addition of strong competitors into the switched long distance business could have a material adverse effect on our business, financial condition and results of operations.

In July 1997, the United States Court of Appeals for the Eighth Circuit invalidated key portions of the FCC's interconnection order, which the FCC adopted to facilitate local exchange competition. On January 25, 1999, the Supreme Court overturned the Eighth Circuit's ruling and reinstated most aspects of the FCC's interconnection rules. The Supreme Court remanded to the FCC one issue relating to interconnection, which will likely delay the further emergence and development of local exchange competition. Consequently, neither our customers nor we may benefit as quickly from the lower access costs that might have resulted if competition in providing local access services was not delayed. Further, the FCC issued orders relating to universal service funding by interstate telecommunications carriers, and to the access charges we and our customers are required to pay to LECs. The FCC's access charge reform order was recently affirmed after a lengthy appeal. The FCC has since sought additional comments on access charge reform, but the outcome of this and any future FCC proceedings are impossible to predict. In addition, the Telecom Act provides that state proceedings may, in certain instances, determine access charges that our customers and we are required to pay to the LECs. These proceedings could result in rate increases that could have a material adverse effect on our customers and us. See "Business — Industry Overview;" and "Business — Regulation."

Some members of Congress are dissatisfied with the Telecom Act, and in particular with the development of local exchange competition, RBOC re-entry into in-region long distance markets and universal service funding. It is possible that additional legislation will also be introduced to further amend the Telecom Act. However, it is impossible to predict the scope or likelihood of success of any possible further legislation, or the potential impact of any possible further legislation.

Risks Relating to Marca-Tel

Marca-Tel has put further investment in new fiber routes on hold and reduced its scope of operations, awaiting more suitable regulatory and market conditions. At the present time, we do not anticipate significant additional funding to Progress for investment in Marca-Tel until the regulatory and market conditions in Mexico improve. We are not obligated to continue to fund Progress or Marca-Tel. Our existing indentures and our $600 million credit facility contain significant limitations on the amount we may invest in Marca-Tel and other non-majority owned entities. Although Marca-Tel amended its credit agreement in February 1999 allowing it to defer certain payments until June 1999, we cannot assure you that Marca-Tel will be able to make payments at that time or at any time in the future. A default such as this could result in the foreclosure of the creditor's security interest in all of Marca-Tel's assets. If that occurs, our investment in Marca-Tel could be further diluted or entirely lost.

Potential Liability of Internet Access Providers

We provide services to on-line service providers and Internet access providers. We also own approximately 10.2 million shares of common stock of PSINet, an Internet access provider. The law governing the liability of on-line services providers and Internet access providers for information carried on or disseminated through their networks is unsettled. Under the 1996 Telecom Act, both civil and criminal penalties can be imposed for the use of interactive computer services for the transmission of certain indecent or obscene communications. However, some of these provisions were recently held unconstitutional by the Supreme Court. Other provisions of the Communications Decency Act have been challenged in court proceedings which are ongoing. In addition, Congress recently passed the Child Online Protection Act, which currently is subject to a temporary injunction. Nonetheless, many states have adopted or are considering adopting similar requirements, and the constitutionality of these state requirements remains unsettled. In addition, several private lawsuits have been filed seeking to hold Internet access providers accountable for information which they transmit. In one case, the court ruled that an Internet access provider is not directly liable for copies that are made and stored on its computer but may be held liable as a contributing infringer where, with knowledge of the infringing activity, the Internet access provider induces, causes or materially contributes to another person's infringing conduct. As the law in this area develops, potential imposition of liability on Internet access providers for information carried on or disseminated through their networks could materially change the way they conduct business. To avoid undue exposure to liability, Internet access providers could be compelled to engage in burdensome investigation of subscriber materials or even discontinue offering the service altogether.

Risks Relating to Switched Services

Switched services resellers account for a substantial portion of our long distance switched services revenue. A substantial portion of revenue is derived from a limited number of switched services resellers. Sales to switched services resellers generate low margins for us. In addition, these customers frequently choose to move their business to other carriers based solely on small price changes and generally are perceived to have a high risk of payment delinquency or non-payments. Our service credits and bad debt in the past have been as follows:

Period	Service Credit and Bad Debt (in millions)	Percent of Total Revenue
Year Ended 1996	$ 6.3	2.2%
Year Ended 1997	$20.8	4.0%
Year Ended 1998	$55.1	8.2%

We seek to control service credits and bad debts by implementing procedures to improve our billing accuracy and control our credit exposure. Any significant increase in service credit and bad debt expense as a percentage of revenues could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Technological Change

The market for our telecommunications services is characterized by rapidly changing technology, evolving industry standards, emerging competition and frequent new product and service introductions. We cannot guarantee that we will successfully identify new service opportunities and develop and bring new services to market. There is also a risk that fundamental changes in the way telecommunications services are marketed and delivered will occur. We assume that technology such as ATM-Frame Relay protocols and using fiber optic or copper-based telecommunications infrastructures will continue to be the primary protocols and transport infrastructure for data communications services. Future technological changes, including changes related to the emerging wireline and wireless transmission and switching technologies, could have a material adverse effect on our business, results of operations, and financial condition. Our pursuit of necessary technological advances may require substantial time and expense. We cannot be certain that we will succeed in adapting our telecommunications services business to alternate access devices, conduits and protocols.

In addition, recent technological advances with the potential to greatly expand the capacity of existing and new fiber optic cable, which could greatly increase supply, could have a material adverse effect on our business, financial condition, and results of operations and the value of our securities.

Stockholder Rights Plan and Other Change in Control Impediments

In September 1998, we adopted a stockholder rights agreement that permits owners of our common stock to purchase shares of common stock at one-half of its fair market value in limited instances. Each share of common stock is entitled to one right. These rights are exercisable if a person or group acquires 20% or more of our common stock or announces a tender offer for 20% or more of our common stock. The rights are also exercisable if a stockholder currently holding more than 20% of our outstanding stock acquires any additional shares of our common stock. Our stockholder rights agreement may prevent or deter acquisitions of more than 20% of our common stock and ultimately an acquisition of IXC. In addition, certain covenants in our debt and preferred securities may require us to offer to repurchase or adjust the conversion price of such securities in the event of a change in control of IXC. These covenants may prevent, deter or adversely affect the value of our common stock in connection with an acquisition of IXC involving a change in control.

Concentrated Ownership of Control Group

At December 31, 1998, Trustees of General Electric Pension Trust beneficially owned approximately 26.5% of our outstanding common stock, Grumman Hill Investments, L.P., Richard D. Irwin and their affiliates together beneficially owned approximately 9% of our outstanding common stock, and one director, one executive officer and their affiliates beneficially owned approximately 10.8% of our outstanding common stock. As a result, certain of these stockholders, if they act with others so as to constitute a majority, generally would be able to elect a majority of directors elected by the holders of our common stock and exercise control over our business, policies and affairs, and would have the power to approve or disapprove most actions requiring stockholder approval without the approval of minority stockholders.

Item 2. ***Properties***

The principal properties we own consist of: (i) certain portions of our network completed or under construction; and (ii) the coast-to-coast microwave system, consisting of microwave transmitters, receivers, towers and antennae, auxiliary power equipment, transportation equipment, equipment shelters and miscellaneous components. Generally, fiber optic system and microwave relay system components are standard commercial products available from a number of suppliers. The use of all these assets are shared by all of our segments of business.

Our principal offices are located in Austin, Texas, comprising two separate office leases. In 1999, we added a third office space in Austin. We lease these three offices pursuant to the terms of the respective leases which expire at different times varying from January 2002 to December 2004. In addition, we sublease former office space in two other locations in Austin. The sublease payments satisfy our monthly rental obligations under the original leases. We also lease approximately 65 other office spaces for sales and administration of our switched long distance and data/Internet businesses. We believe that existing office sites are adequate for current operations and that as we grow we will be able to locate and lease or acquire additional future office space at market rates.

We lease sites for our switches in various metropolitan locations under lease agreements that expire between 2000 and 2005. Five of our nine voice switches are leased under capital leases from DSC Finance Corporation over a term of 5 years. In order to build our network we have also entered into approximately 345 site, conduit, right-of-way and storage leases. These sites are located all across the United States. These facilities generally are leased under annual terms ranging from 5 to 25 years.

Item 3. ***Legal Proceedings***

We are involved in various legal proceedings, all of which have arisen in the ordinary course of business and some of which are covered by insurance. In the opinion of our management, none of the claims relating to such proceedings are likely to have a material adverse effect on our financial condition or results of operations.

Item 4. ***Submission of Matters to a Vote of Security Holders***

Not applicable.

PART II

Item 5. *Market for the Registrant's Common Equity and Related Stockholder Matters*

Price Range of Common Stock

Our common stock is quoted on the Nasdaq National Market (the "NNM") under the trading symbol "IIXC." The following table sets forth, on a per share basis, the high and low closing sale prices for the common stock for the periods indicated as reported by the NNM.

	Price Range	
	High	Low
Fiscal Year 1997		
First Quarter	$36.25	$18.75
Second Quarter	27.88	17.00
Third Quarter	33.00	19.50
Fourth Quarter	40.13	29.38
Fiscal Year 1998		
First Quarter	60.38	30.50
Second Quarter	57.63	36.88
Third Quarter	54.25	24.50
Fourth Quarter	40.25	17.63

As of March 19, 1999, there were approximately 7,945 common stockholders.

Dividend Policy

We have never paid any cash dividends on our common stock and we do not expect to pay cash dividends on our common stock in the near future. The terms of the $600 million credit facility we entered into in October 1998 restrict the payment of dividends. Additionally, no dividends may be paid on the common stock until all dividends are paid in full on our 7¼% Convertible Preferred Stock, our 12½% Exchangeable Preferred Stock, and our 6¾% Convertible Preferred Stock (collectively, the "Preferred Stock"), as follows:

- Dividends on the 7¼% Convertible Preferred Stock are payable quarterly in cash at an annual rate of 7¼% of the aggregate liquidation preference (which amounted to $107.5 million at December 31, 1998). On March 31, 1999, we have the option to pay dividends in additional shares of 7¼% Convertible Preferred Stock.
- Dividends on our 12½% Exchangeable Preferred Stock are payable quarterly at the annual rate of 12½% of the aggregate liquidation preference (which amounted to $354.9 million at December 31, 1998, including accrued dividends of approximately $5.5 million). Through February 15, 2001, we have the option to pay dividends in additional shares of 12½% Exchangeable Preferred Stock. Dividends are payable in cash thereafter.
- Dividends on our 6¾% Convertible Preferred Stock are payable quarterly in cash at the annual rate of 6¾%. If we are prohibited from paying dividends in cash under the terms of our debt agreements, then we may pay dividends in common stock valued at 95% of the average price of the common stock for 5 business days prior to the dividend payment date.

Our ability to pay dividends on shares of Preferred Stock is limited by the terms of the $600 million credit facility. We intend to retain future operating cash flow, if any, to finance our operations and fund the growth of our business. Any payment of future dividends on our common stock will be at the discretion of our Board of Directors and will depend upon, among other things, our earnings, financial condition, capital requirements, level of indebtedness, contractual and legal restrictions with respect to the payment of dividends and other factors our Board of Directors deems relevant.

Item 6. *Selected Financial Data*

The following table sets forth our selected historical financial data. The historical financial data has been derived from the audited Consolidated Financial Statements. The audited financial statements have been restated to include the combined results of operations of Eclipse, which was acquired in June 1998 in a transaction accounted for as a pooling of interests. The selected historical financial data set forth below is qualified in its entirety by, and should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and our Consolidated Financial Statements, related notes thereto and other financial information included herein.

	Year Ended December 31,				
	1994	1995	1996	1997	1998
	(Dollars in thousands)				
Statement of Operations Data:					
Net operating revenue	$128,982	$154,714	$281,967	$521,617	$ 668,568
Operating income (loss)	16,745	3,380	(19,944)	(49,540)	(30,809)
Income (loss) before extraordinary item	6,732	(2,434)	(44,237)	(99,164)	(95,504)
Extraordinary gain (loss)	2,298	(1,747)	—	—	(66,952)
Net income (loss)	9,030	(4,181)	(44,237)	(99,164)	(162,456)
Basic and diluted income (loss) per share before extraordinary item	0.25	(0.15)	(1.52)	(3.47)	(4.28)
Extraordinary item	0.09	(0.07)	—	—	(1.87)
Net income (loss)	0.34	(0.22)	(1.52)	(3.47)	(6.15)
Weighted average basic and diluted shares	26,628	26,793	30,277	34,777	35,868
Balance Sheet Data:					
Cash and cash equivalents	$ 6,709	$ 8,375	$ 64,090	$155,855	$ 264,826
Total assets	122,742	365,738	485,335	968,872	1,748,237
Total debt and capital lease obligations	70,563	302,794	305,578	320,747	693,000
Redeemable preferred stock	—	—	—	403,368	447,858
Stockholders' equity (deficit)	23,593	23,480	75,281	(18,671)	(72,546)
Other Financial and Operations Data:					
EBITDA(1)	$ 29,675	$ 22,542	$ 15,983	$ 23,190	$ 90,732
Capital expenditures	7,087	23,670	136,976	315,853	476,382

(1) EBITDA is operating income (loss) plus depreciation, amortization, and merger-related costs. We believe that EBITDA is used by certain investors as one measure of a company's historical ability to service its debt. EBITDA is not a measurement determined in accordance with generally accepted accounting principles ("GAAP"), should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP, and is not necessarily comparable with similarly titled measures for other companies.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Overview

We are a leading provider of data and voice telecommunications transmission services. Our coast-to-coast fiber optic network contained approximately 9300 fiber route miles at year-end 1998. Additions to this network continue to be constructed. Subject to the availability of capital, we plan on having approximately 16,400 fiber route miles by the end of 1999. We provide 3 principal products through both wholesale and retail distribution channels. We lease dedicated circuits, or private lines, to other companies for the transmission of data and

voice. We transmit long distance switched services through our switches. Finally, we are an Internet backbone provider that also provides ATM-Frame Relay-based switched data and other Internet-related services.

In February 1999, we announced that we are considering various strategic alternatives to create advanced, diversified products and services and the scale to provide complete voice, data and Internet solutions to a broad customer base. Alternatives under consideration include many possibilities, from sale or swaps of fiber to joint ventures or a combination of the company with another company. To review some of the alternatives that have been initiated by the company or by others, we have retained Morgan Stanley for assistance.

Private Line Business

This business represented 33.7%, 31.0%, and 35.4% of our revenue in 1998, 1997, and 1996, respectively. Our service agreements with customers are generally either capacity IRUs where large up-front payments are received, or leases of capacity which provide for monthly payments due in advance on a fixed-rate per circuit basis. Contracts are priced according to the capacity, the length of the circuit used and the term of the contract. This business is becoming increasingly competitive as other carriers build and expand their networks. This year, we leased transmission capacity to over 275 customers.

The largest component of our cost of services in the private line business is the expense of leasing off-net capacity from other carriers to meet specific customer needs, which we cannot currently meet with our network due to capacity or geographic constraints. In the normal course of business we also enter into exchange agreements with other carriers. In these agreements, we exchange excess fiber or capacity on our network for fiber or capacity on the other carriers' networks. These exchange agreements generally do not provide for cash payments to be made, but rather allow us to reduce the cash payments we must make for off-net capacity from other carriers. Some of the original exchanges of fiber for capacity are accounted for at the fair value of the capacity exchanged, as non-cash revenue and expense in equal amounts over the term of the agreements. In 1998, 1997 and 1996 we recorded revenue and expense of $19.1 million, $14.0 million and $14.0 million, respectively, relating to such exchanges.

Long Distance Switched Services Business

This business represented approximately 62.0%, 68.9% and 64.6% of our total revenue in 1998, 1997, and 1996, respectively. We sell these services on a per-call basis, charging by the minutes-of-use ("MOU"). Payment for these services is due monthly after services are rendered. Our rates for calls vary with the duration of the call, the day and time of day the call was made. The rate also depends on whether the call had an intrastate, interstate or international destination. We provide these services on both a wholesale and a retail basis. On a wholesale basis, we sell to resellers of long distance services. On a retail basis, we sell to small and medium size businesses. At year-end 1998, we had over 113,000 long distance customers.

Our main source of costs in the long distance switched services business is access costs with LEC's and other providers, and the expense of leasing off-net capacity from other carriers. The LEC access charges have both a usage and a fixed-rate component and vary according to the LATA in which calls originate and terminate. The usage portion of these costs has decreased dramatically in the past eighteen months, driven by FCC-mandated reductions. However, monthly fixed costs associated with LEC local office trunking have offset a significant portion of these savings. Long distance network leasing costs are incurred as we lease capacity to carry traffic where our network does not reach or is already running at or near capacity. We expect these costs to decline as we transfer traffic onto newly constructed routes of our own network, however; since we do not intend to expand our network to all areas of the United States, we will continue to lease capacity from other carriers. The long distance switched services business is highly competitive, resulting in a continuing reduction of wholesale and retail rates over the last several years.

Data/Internet Business

In 1997 we began providing ATM-Frame Relay-based switched data services in order to capitalize on the growing demand for Internet and electronic data transfer services. In 1998, we acquired four Internet-based businesses that allow us to offer a full complement of Internet-related services including Internet access,

collocation of Web servers, network systems integration solutions and dial-up services on both a wholesale and retail basis. Payment for these services is generally monthly after services are performed for recurring charges and on a completion of project basis for project related services. In 1998 this business represented approximately 1.4% of our total revenue. At year-end we had over 36,000 data/Internet customers.

Our main source of costs in the data/Internet business is the expense of leasing off-net capacity from other carriers to meet specific customer needs, where our network is not available. We expect these costs to decline as a percentage of revenue, but increase in absolute terms. As we expand our network, more of this capacity will be transferred to our network, but we expect the rapid rise in this business will continue to drive the need for leasing capacity where our network is not available.

Other Revenue

During the third and fourth quarters of 1998, we recorded revenue of $19.8 million from the sale of options in fibers that were jointly owned with another carrier. This revenue was reported, net of our basis in the options, as "other revenue" and is excluded from our segment results.

Capital Expenditures

We have spent significant amounts of capital to develop our coast-to-coast network. We spent $476.4 million for capital expenditures during 1998, and we estimate that we will spend over $600 million in 1999. We are continuing to expand our network. We expect to continue making substantial capital expenditures for fiber expansion and the deployment of additional optronics and voice and data switches to provide capacity for revenue growth.

Acquisition Transactions

In June 1998 we consummated the acquisition of Eclipse, a provider of long distance services to businesses and association programs, agents and other long distance carriers. The transaction was accounted for as a pooling-of-interests in which the Eclipse shares were exchanged for approximately 4.1 million shares of our common stock.

During March 1998 through June 1998, we acquired four Internet businesses to expand our data/Internet segment. We acquired Data Place, a company that supplies businesses with complete network systems integration solutions. We acquired NTR, a company that offers custom back office support to wholesale customers and Internet dial-up services to retail customers. We acquired NEI, an Internet consulting company. Our final acquisition was SMARTNAP, which provides aggregated Internet access, collocation of Web servers and routers and end-site managed connectivity. None of these acquisitions were material to our revenue and net income.

In January 1999 we entered into an agreement to acquire Coastal. Coastal is a long distance provider focusing on small business customers. This anticipated acquisition will be accounted for as a purchase and is valued at approximately $100 million, approximately $25 million of which is payable in shares of our common stock. This transaction is conditioned upon regulatory approval and certain other events and is anticipated to close in mid-1999.

Marca-Tel

Through December 31, 1998, we had invested $44.8 million in Progress including $14.9 million on behalf of Westel. In 1998 Westel agreed to give us a note for $14.9 million to repay us for certain contributions previously made to Progress on Westel's behalf. The balance of the note receivable from Westel at December 31, 1998, was $9.4 million. The final note payment is due in May 1999 and is secured by a portion of Westel's ownership in Progress.

We account for Progress and Marca-Tel using the equity method of accounting. Through the third quarter of 1998, we recognized our share of losses from Progress based on the relative amount of funds we contributed to Progress compared to Westel. Beginning with the fourth quarter of 1998, the sum of our

remaining investment in Marca-Tel and the promissory note from Westel was below zero due to the amount of losses we previously recorded; therefore, we suspended recognition of losses from Marca-Tel. We will continue to suspend recognition of losses until Marca-Tel begins reporting net income and all suspended losses have been recovered.

In September 1995 Marca-Tel entered into an agreement with a vendor to construct a portion of Marca-Tel's telecommunications network in Mexico and to provide significant financing for such construction and related equipment and fiber purchases. The vendor has been granted security interests in all of Marca-Tel's assets, including the telecommunications network, and the owners of Marca-Tel, including Progress, have pledged their interests in Marca-Tel to collateralize payment to the vendor. As of December, 1998, approximately $77.1 million was owed by Marca-Tel to the vendor. In February 1999 Marca-Tel amended its credit agreement with the vendor and agreed to increase the vendor's ownership interest in Marca-Tel. This decreased our indirect ownership to 24%.

Investment in Storm

In 1997 we formed Storm, a joint venture with Telenor AS, the Norwegian national telephone company. In mid-1998, Storm began to provide telecommunication services to carriers and resellers in Europe. The joint venture is owned 40 percent by us, 40 percent by Telenor, and 20 percent by Clarion Resources Communications Corporation, a U.S.-based telecommunications company in which Telenor owns a controlling interest. We account for this investment using the equity method.

Investment in Unidial Communications Services, LLC

In December 1997, we formed Unidial Communications Services, LLC, a joint venture with Unidial Communications. This joint venture has a direct sales force to market and sell the products of both partners over our network. The joint venture is owned 80 percent by Unidial and 20 percent by us. At December 31, 1998, we had invested $10 million in this joint venture. In February 1999 we invested an additional $4 million in this joint venture. After this initial $14 million funding, we are not required to fund any future investments to the joint venture, but to the extent Unidial funds such investments alone, our interest in the joint venture may be diluted. We account for this investment using the equity method.

PSINet Transaction

In February 1998, we consummated an agreement to provide PSINet an IRU in 10,000 miles of OC-48 transmission capacity on our network over a 20-year period in exchange for approximately 10.2 million shares of PSINet common stock with a guaranteed value of $240 million within two years of providing PSINet of all the capacity. In January 1999 the PSINet stock exceeded the guaranteed $240 million threshold, thereby eliminating the requirement of PSINet to make additional payments to us. Upon delivery of the transmission capacity to PSINet, we will begin to receive a maintenance fee, which, as the full capacity is delivered, is expected to increase to approximately $11.5 million per year. We initially accounted for our investment in PSINet using the equity method and recorded our share of PSINet's operating losses. Beginning with the third quarter of 1998, our share of PSINet's stock was below 20% and we no longer had an officer with a seat on PSINet's board of directors. As a result, we began accounting for this investment using the cost method. The market value of the shares on March 30, 1999, was $448.2 million.

Investment in Applied Theory

In May 1998 we acquired a 34% interest in the New York-based ISP, Applied Theory. Applied Theory was formed in 1996 to provide high quality Internet services for the New York state research and education community. In 1998 we invested almost $13 million in Applied Theory. This investment is being accounted for under the equity method.

Investment in DCI.

We obtained an investment in DCI in November 1998, in consideration for a note from one of our customers which was also a vendor of DCI. We acquired 4.25 million common shares of DCI. DCI is an international provider of telephone services, including long distance, prepaid telephone cards and Internet services. DCI has an option to repurchase all 4.25 million shares of its common stock from us through April 1, 1999, at a price of approximately $18 million. In the event the option is not exercised there will be an adjustment to the number of shares we own on June 1, 1999, if the 15-day volume weighted average price of the DCI shares is outside the range of $4.20 to $5.88. After this adjustment, if any, we will own common stock of DCI with a minimum value of approximately $18 million and a maximum value of $22 million. We account for this investment using the cost method.

Fiber Sales and IRUs

We have sold fiber and capacity IRUs. IRU sales are recorded as unearned revenue and are included in other current and other non-current liabilities in the accompanying consolidated balance sheets, when the fiber or capacity is accepted by the customer. Revenue is recognized over the terms of the related agreements. In 1998, we received approximately $128.5 million in cash and $105.2 million in notes receivable from these sales but recognized only $8.9 million as revenue.

Financing Transactions

In July 1996, we raised gross proceeds of approximately $83.3 million (before deducting certain expenses) through an initial public offering of our common stock and $12.5 million from a private placement of our common stock.

In April 1997, we raised gross proceeds of $100 million (before deducting discounts and certain expenses) through the sale of our 7¼% Convertible Preferred Stock.

In August 1997, we raised gross proceeds of $300 million (before deducting discounts and certain expenses) through the sale of our 12½% Exchangeable Preferred Stock.

In March and April, 1998 we raised gross proceeds of approximately $155 million (before deducting discounts and certain expenses) through the sale of 6¾% Convertible Preferred Stock.

In April 1998 we raised gross proceeds of $450 million (before deducting discounts and certain expenses) from the sale of 9% Senior Subordinated Notes. Part of these proceeds ($342.7 million) was used to pay off the 12½% Senior Notes issued in October 1995. In conjunction with that early redemption of the 12½% Senior Notes, an extraordinary charge of $67 million, net of related tax benefit, was recorded.

In October 1998 we entered into a $600 million credit facility, including a $150 million revolving loan capacity, a $200 million term loan facility and an uncommitted special purpose loan facility of $250 million. The $200 million term loan was drawn down during the fourth quarter of 1998.

Quarterly Results of Operations

The following table presents certain unaudited quarterly financial information for each of our quarters in 1997 and 1998. This information was prepared on the same basis as the audited financial statements appearing elsewhere in this Form 10-K. The table includes the operations of Eclipse for all periods and all adjustments (which consist only of normal recurring adjustments) necessary to present fairly the unaudited quarterly results set forth herein. The operating results for any quarter are not necessarily indicative of results for any future period. We may experience substantial fluctuations in quarterly results in the future as a result of various factors, including customer turnover, variations in the success of our customers' businesses and price competition.

	1997 Quarter Ended				1998 Quarter Ended			
	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30	Sep 30	Dec 31
	(Dollars in thousands, except per share data)							
Statement of Operations Data:								
Net operating revenue:								
Private line circuits	$ 30,869	$ 38,380	$ 41,671	$ 50,650	$ 43,340	$ 49,232	$ 61,908	70,878
Switched long distance	76,013	75,318	94,881	113,076	113,767	105,502	110,741	84,395
Data/Internet	—	114	277	368	476	1,201	3,631	3,721
Other	—	—	—	—	—	—	8,989	10,787
Net operating revenue	106,882	113,812	136,829	164,094	157,583	155,935	185,269	169,781
Operating expenses:								
Cost of services	84,894	90,979	101,035	118,759	107,949	107,593	109,984	107,774
Operations and administration	21,983	24,380	28,047	28,350	29,336	29,992	40,094	45,114
Depreciation and amortization	10,914	14,559	24,601	19,065	20,152	22,636	34,801	35,997
Merger related costs	3,325	—	302	(36)	(36)	7,681	444	(134)
Operating income (loss)	$(14,234)	$(16,106)	$(17,156)	$ (2,044)	$ 182	$ (11,967)	$ (54)	$(18,970)
Net loss	$(22,498)	$(27,914)	$(31,172)	$(17,580)	$(17,895)	$(102,507)	$(15,301)	$(26,753)
Basic and diluted loss per share(1)	$ (0.67)	$ (0.87)	$ (1.09)	$ (0.84)	$ (0.83)	$ (3.30)	$ (0.85)	$ (1.17)
Other Financial and Operations Data:								
EBITDA(2)	$ 5	$ (1,547)	$ 7,747	$ 16,985	$ 20,298	$ 18,350	$ 35,191	$ 16,893

(1) Basic and diluted loss per share calculations for each of the quarters were based on the weighted average number of shares outstanding for each period, therefore the sum of the quarters may not necessarily be equal to the full year basic and diluted loss per share amount.

(2) EBITDA is operating loss plus depreciation, amortization and merger-related charges. We believe that EBITDA is used by certain investors as one measure of a company's ability to service its debt. EBITDA is not a measurement determined in accordance with GAAP, should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP, and is not necessarily comparable with similarly titled measures for other companies.

Results of Operations

1998 Compared with 1997

Net operating revenue for 1998 increased 28.2% to $668.6 million from $521.6 million in 1997. This improvement came mainly from increases in private line revenue and switched long distance revenue. The private line improvement of $63.8 million was driven by the activation of services relating to a $265 million agreement with a large ISP. The long distance switched services revenue improvement was driven from both retail and wholesale customers. Wholesale minutes of use increased from 3.0 billion in 1997 to 4.0 billion in 1998. The remaining revenue improvement came partially from our data/Internet segment largely due to the acquisition of the four Internet businesses in mid-1998 and partially from the sale of options on fiber usage rights that are jointly owned with another carrier.

Cost of services principally consists of access charges paid to LECs and transmission lease costs to transmit calls in areas not covered by our network. Cost of services increased $37.6 million, or 9.5%, to

$433.3 million in 1998. This increase primarily consists of an increase in transmission lease expense due to our entering into dedicated circuit leases in advance of the expansion of our network , and higher access costs from increased minutes of use. Our gross margin, excluding the $19.8 million in other revenue, improved to 33.2% in 1998 from 24.1% in 1997. This improvement is due to the large increase in private line revenue, largely carried on our network, and to the FCC-mandated decreases in access costs that occurred from mid-1997 through mid-1998. We expect access costs to increase with minutes of use and as a percentage of revenue as competition drives prices down.

Operations and administration expenses increased 40.7% from 1997 to $144.5 million in 1998. This increase is due to the increased staffing required to support the larger network and the larger revenue base, particularly in retail operations. We had significant increases in expanding our information technology infrastructure, our retail sales infrastructure and the cost of supporting the expanded network. We anticipate further increases in these costs, in total and as a percentage of revenue, as we expand our long distance switched services business and our network.

Depreciation and amortization increased 64.3% to $113.6 million in 1998. These higher costs are principally the result of more of the expanded network being placed in service and depreciated throughout 1998 than throughout 1997. Amortization expense has increased due to the amortization of goodwill relating to our Internet-related acquisitions in 1998. We expect these costs to continue increasing in future periods as we continue to invest in equipment and fiber to support new higher capacity routes.

Interest income increased 84.6% to $14.3 million in 1998 due to the larger amount of cash on hand in 1998 versus 1997 and due to interest earned on notes receivable from customers in 1998. Cash on hand was higher during 1998 due to the sale of the $155 million in 6¾% Convertible Preferred Stock in March and April 1998, the sale of the $450 million of 9% Senior Subordinated Notes in April 1998, and the draw-down of $200 million of the $600 credit facility in October 1998, offset by the early redemption of the 12½% Senior Notes in April 1998.

Interest expense was unchanged at $31.7 million year over year as the increased outstanding debt was offset by lower interest rates on the 9% Senior Subordinated Notes and the $600 million credit facility versus the 12½% Senior Notes that were redeemed in April 1998.

Equity losses from unconsolidated subsidiaries increased 38.6% to $33.0 million in 1998. In 1998 we recorded $15.9 million of losses from our indirect investment in Marca-Tel. We suspended recognition of losses in the fourth quarter of 1998 because our investment in Marca-Tel was below zero. We will continue to suspend recognition of losses until Marca-Tel begins reporting net income and all suspended losses have been recovered. At the beginning of the third quarter of 1998 we began accounting for our investment in PSINet using the cost method because we no longer had significant influence over the financial or operating policies of PSINet. In 1998 the other joint ventures in which we have investments all reported losses. In 1997, our only investment with operations was Marca-Tel. As a result, although the equity losses relating to Marca-Tel decreased 33.3% in 1998 versus 1997, losses recorded for the other investments, including PSINet during part of the year, more than offset the Marca-Tel decrease.

Income tax expense increased $12.6 million to $13.9 million in 1998. This increase was due to the taxable income created by the IRU transactions in 1998. This tax increase is mainly related to the alternative minimum tax on utilization of net operating loss carryforwards and on state income taxes. For accounting purposes, we do not recognize any tax benefits relating to taxable losses incurred from 1996 through 1998.

The extraordinary loss of $67.0 million recorded in 1998 relates to charges associated with the early extinguishment of the 12½% Senior Notes in April 1998. There was no such charge in 1997.

We experienced a net loss applicable to common shareholders of $220.7 million in 1998 versus $120.8 million in 1997. The increased loss is due to the items identified above, plus an increase of $36.6 million in preferred stock dividends. The increased dividends in 1998 are due to the preferred stock issued in 1997 being outstanding for a full year in 1998 plus the partial year impact of the 6¾% Convertible Preferred Stock issued in 1998.

1997 Compared With 1996

Net operating revenue for 1997 increased 85.0% to $521.6 million from $282.0 million for 1996. The increase is mainly a result of increased growth of our long distance switched services business and our private line business. Long distance switched services revenue increased 97.2% to $359.3 million for 1997 compared to $182.2 million for 1996. Billable wholesale MOUs were 3.0 billion in 1997, compared to 1.1 billion for 1996. Revenue for the private line business for 1997 increased 61.9% to $161.6 million from $99.8 million for 1996. The private line increase in revenue correlates with the additional fiber capacity available on our network.

Cost of services for 1997 increased 103.0% to $395.7 million from $194.9 million for 1996. The increase resulted mainly from additional leases for transmission capacity supporting the private line and switched long distance services businesses, MOUs provided by other carriers; and access charges paid to LECs in connection with the increased long distance switched services revenue. Cost of services increased faster on a percentage basis than revenue principally because switched long distance services revenues generate substantially lower gross margins than private line revenue and we experienced a larger increase in the switched long distance revenue than the private line revenue.

Operations and administration expenses for 1997 increased 44.5% to $102.8 million from $71.1 million in 1996. This increase is primarily the result of employee costs and other operating expenses associated with the growth in our network.

Depreciation and amortization for 1997 increased 92.4% to $69.1 million from $35.9 million for 1996. The increase is primarily the result of depreciation related to the expanded network size in 1997.

Interest income for 1997 decreased from $10.2 million for 1996 to $7.8 million as proceeds from the 1996 and 1997 debt and equity placements were used to construct our network and operate our business. The decrease from 1996 was offset partially by the interest earned on the proceeds of the sale of $100.0 million of the 7¼% Convertible Preferred Stock in April 1997 and $300.0 million of 12½% Exchangeable Preferred Stock in August 1997.

Interest expense decreased from $37.6 million in 1996 to $31.7 million in 1997. The decrease is primarily the result of additional capitalization of interest related to the fiber network construction.

Equity in losses of unconsolidated subsidiaries for 1997 were $23.8 million compared to $2.0 million in 1996. These losses primarily relate to our share of losses in Marca-Tel, which began operations during the first quarter of 1997, while continuing to complete its network construction. At December 31, 1997, the net carrying value of the Mexican joint venture investment was $11.6 million.

Income tax expense for 1997 was $1.4 million compared to a benefit of $5.9 million for 1996. The increase occurred because we recognized tax benefits related to the favorable resolution of federal income tax examinations in 1996. For accounting purposes, we did not recognize any tax benefits relating to losses incurred during both 1996 and 1997.

We experienced a net loss applicable to common shareholders of $120.8 million for 1997 compared to $46.0 million for 1996 as a result of the factors discussed above and the increase in preferred stock dividends in 1997. The increase in preferred stock dividends of $19.9 million is the result of issuing of the 7¼% Convertible Preferred Stock in April 1997 and the 12½% Exchangeable Preferred Stock in August 1997.

Segment Information

In accordance with Financial Accounting Standards Board Statement Number 131, we began reporting our results by segments in 1998. Historically, we have viewed ourselves as operating in the private line and switched long distance industries, with a common network and administrative, financing and investing functions supporting both businesses. We look at both the revenue and cost of services of both of these businesses, as well as our growing data/Internet business. Assets (other than accounts receivable) and liabilities, sales, general and administrative expenses, and financing and other costs are associated with supporting all businesses and therefore are not considered to relate to any one segment.

Current and prior year segment information includes the operations of Eclipse, which we acquired in a transaction accounted for as a pooling of interests.

Private Line

Private line revenue increased to $225.4 in 1998 million from $161.6 million in 1997. This increase was mainly due to the impact of the $265 million ISP contract that started in mid-1998. Cost of service for this segment grew 18.0 % in 1998 as we continued to lease off-net transmission capacity in advance of completing our network. Despite this growth in transmission lease expense, gross profit for private line improved to 61.9% of revenue from 55.0% during the prior year. This increase occurred mainly because a significant portion of the traffic from the ISP contract occurred on our network. Our largest private line customer, MCIWorldCom, accounted for approximately 19.4% of our 1998 private line revenue.

Switched Long Distance Service

Revenue in this segment increased 15.3% in 1998 to $414.4 million from $359.3 million in 1997. This increase came despite a reduction in minutes of use by Excel, which renegotiated its contract from a switched service contract to a higher-margin, private line contract. This improvement was due to increased usage as rates continued to decline with competition. Excel, our largest long distance customer, accounted for approximately 18.2% of the switched long distance revenue in 1998. Gross profit for this segment increased 98.8% over 1997 to $80.3 million. This improvement was largely due to a reduction in access costs during both 1997 and 1998 mandated by the FCC. The 1998 reduction in access costs was partially offset by an increase in tandem-trunking charges implemented in July 1998.

Data/Internet Services

In 1998 this segment's revenue increased to $9.0 million from $.8 million in 1997. This improvement was due to the impact of the Internet-related acquisitions we made during 1998 and the increasing demand for Internet services. Despite the year-over-year rise in revenue, this segment still has not generated the revenue necessary to cover its cost of services. As a result, the gross margin loss for the segment increased to a negative $4.4 million from a negative $2.9 million in 1997.

Liquidity and Capital Resources

Prior to 1996 we relied on cash flows from the operations of our private line business to provide needed capital. Since 1996, we have needed significant additional capital to finance the expansion of our network. This capital has been raised primarily through the issuance of debt and equity securities as well as through sales of IRUs in fibers or capacity on our network.

Cash provided by operating activities was $202.3 million for the year ended December 31, 1998, compared to $21.8 million in 1997. This increase was primarily due to payments received for the sale of IRUs, other operating revenue, and improved operations in the private line and switched long distance businesses. We expect cash provided by operations to be positive going forward, fueled by the sale of capacity IRUs and periodic operating results.

Cash used in investing activities for 1998 was $522.9 million compared to $302.4 million for 1997. The increase is primarily due to higher capital expenditures related to expanding our network. The remaining increase in cash used for investing activities was due to funding acquisitions and investments in unconsolidated subsidiaries. We expect that capital expenditures will continue to require a significant amount of cash through the end of fiscal year 1999 and thereafter.

Cash provided by financing activities increased $58.6 million as net proceeds from debt and equity financing increased by $442.7 million and more than offset an increase of $356.3 million in debt repayments principally related to the 12½% Senior Notes. We will continue to rely on funding from financing activities as long as there are significant expansions of our network.

As of December 31, 1998, we had $264.8 million in cash and cash equivalents. On October 28, 1998, we entered into a $600 million senior secured credit facility with a syndicate of commercial banks. We received funding of $200 million, net of $4.2 million of transaction costs. The facility consists of a $150 million revolving facility, a $200 million term loan facility, and an uncommitted special purpose loan facility of $250 million. We must comply with various financial and other covenants on an ongoing basis in addition to meeting the covenants on a pro forma basis prior to drawing additional amounts under the credit facility. Certain of the covenants become more restrictive over time. From time to time we have discussions with the banks to ensure that we will remain in compliance with these covenants on a prospective basis. Loans outstanding under the credit facility bear interest at either LIBOR or the lead commercial bank's prime rate plus applicable margins.

We expect that the primary sources for cash over the next 12 months will be cash on hand, cash generated by operations, proceeds from IRU sales, proceeds from the credit facility discussed above and the proceeds from any additional debt, vendor and working capital financing we may seek. In addition, we have the ability to sell or borrow against our investments in marketable securities, including the PSINet stock. We seek to obtain sufficient funding from these sources for the following major uses of cash:

- our network expansion and other capital expenditures
- debt service;
- lease payments;
- working capital; and
- dividends on preferred stock.

Capital spending in 1999 is projected to be over $600 million. After 1999, capital expenditures are expected to continue to be substantial. There can be no assurance that we will be successful in obtaining the necessary financing to meet our needs. A failure to raise cash would delay or prevent capital expenditures including the construction of our network expansion. The foregoing capital expenditure and cash requirements for 1999 and thereafter do not take into account the Coastal acquisition or any other acquisitions that may subsequently occur. If we consummate the Coastal acquisition, we will be obligated to pay $62.5 million in cash and have the option of paying an additional $25 million in either cash or common stock.

We are required to make payments under various debt and capital lease arrangements of $15.5 million, $11.8 million, and $9.1 million in 1999, 2000, and 2001, respectively. We are also required to make quarterly interest payments on amounts outstanding under our $600 million credit facility and to make semi-annual interest payments on our 9% Senior Subordinated Notes and the remaining 12½% Senior Notes. We are required to pay quarterly dividends on the 7¼% Convertible Preferred Stock at an annual rate of 7¼%; such dividends must be paid in cash except that we have the option of paying dividends in additional shares of 7¼% Convertible Preferred Stock through March 31, 1999. We are required to pay quarterly dividends on the 12½% Exchangeable Preferred Stock at an annual rate of 12½%; such dividends must be paid in cash except that we have the option of paying dividends in additional shares of 12½% Exchangeable Preferred Stock through February 15, 2001. Dividends on our 6¾% Convertible Preferred Stock are payable quarterly in cash at the annual rate of 6¾%. If we are prohibited from paying dividends in cash under the terms of our debt agreements, then we may pay dividends in common stock valued at 95% of the average price of the common stock for 5 business days prior to the dividend payment date. We anticipate that such debt and equity service payments during 1999 will be made from cash on hand, except for the dividends on the 12½% Exchangeable Preferred Stock which are anticipated to be paid in kind with stock dividends.

We are required to make minimum annual lease payments for facilities, equipment and transmission capacity used in operating our business. In 1999, 2000, 2001, and 2002, we anticipate making payments of approximately $38.8 million, $21.4 million, $16.8 million, and $11.0 million, respectively, on operating leases. We expect to incur additional operating lease costs associated with the expansion of our network and the retail and Internet operations. Additionally, from time to time we enter into various construction and installation agreements with contractors associated with our network expansion.

The forward-looking statements set forth above with respect to the estimated cash requirements relating to capital expenditures, our ability to meet such cash requirements and our ability to service our debt are based on certain assumptions as to future events. Important assumptions, which if not met, could adversely affect our ability to achieve satisfactory results include that: (i) there will be no significant delays with respect to our network expansion; (ii) our contractors and partners in cost-saving arrangements will perform their obligations; (iii) rights-of-way can be obtained in a timely, cost-effective basis; (iv) we will continue to increase traffic on our network; and (v) we will be able to obtain vendor or additional debt financing.

Year 2000 Risks

The Year 2000 issue is the result of computer software programs being coded to use two digits rather than four to define the year. It is possible that some of our existing computer programs that have date-sensitive coding may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failures or miscalculations causing disruption of operations, which could have a material adverse effect on our ability to conduct business after January 1, 2000, including our inability to provide telecommunications services to our customers or to accurately invoice customers or collect payments.

Substantially all of our network was built in the last three years. As a result, we believe that we do not have a significant investment in legacy systems having substantial Year 2000 exposure. However, we have established a project team to identify, evaluate and address any existing Year 2000 issues. This Year 2000 effort covers the fiber optic network and supporting infrastructure related to providing switched, private line and data telecommunications services, and other operational and financial information technology ("IT") systems and applications. Also included in this effort are various other systems such as building operations and individual personal computers. The project team is reviewing the status of the Year 2000 compliance effort of key suppliers and other business partners, and is developing business continuity plans related to Year 2000 issues. While the Year 2000 project team is evaluating all potentially non-compliant systems, the Year 2000 effort is structured to give priority to those systems identified as "mission critical."

The project team has identified the following principal phases of the project: a) assessment and planning, b) remediation, c) testing, and d) contingency planning. The assessment and planning phase was substantially complete at December 31, 1998. We have established a target date of June 30, 1999, for remediation of mission critical systems. Of the applications identified as critical, many have already been remediated and are being tested. Testing is expected to be completed by September 30, 1999 for all applications. In addition, all new components being purchased as part of the ongoing network and IT infrastructure expansion are being evaluated to ensure compliance.

There can be no assurances that third parties, including customers, suppliers, and other business partners, will convert their critical systems and processes in a timely manner. Such failure by any of these parties could disrupt our business. Therefore, in addition to evaluating our internal systems, we are in the process of evaluating and documenting the status of Year 2000 compliance efforts by key suppliers.

We currently project incurring expense of approximately $3.6 million through the end of 1999 in connection with the Year 2000 remediation project, of which approximately $.8 million was incurred and expensed as of December 31, 1998. Such amounts are exclusive of amounts that were already anticipated to be spent on new hardware and software purchases resulting from the expansion of our network and other business operations. We believe that a portion of the Year 2000 expenses will not be incremental costs, but rather will represent the redeployment of existing IT resources. This redeployment may cause delays in making other IT or network upgrades or enhancements; however, the delays are not expected to have a material effect on our operations.

As part of its Year 2000 initiative, we are evaluating scenarios that may occur as a result of the century change and are developing contingency and business continuity plans tailored for Year 2000-related problems. These plans are expected to provide for key operational back-up, recovery and restoration alternatives. We expect to have these contingency plans completed by June 30, 1999.

The above information regarding cost estimates, risks, and estimated readiness are forward looking statements based on numerous assumptions of future events, including the availability and future costs of certain technological and other resources, third party modification actions and other factors. Given the complexity of these issues and other unidentified risks, actual results may vary materially from those anticipated and discussed above. Specific factors that might cause such differences include, among others, the availability and cost of personnel trained in this area, the ability to locate and correct all affected computer code, the timing and success of remedial efforts of our third party suppliers and similar uncertainties.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

We are exposed to market risk related to changes in interest rates because the interest rate on approximately $200 million of our debt is indexed to floating interest rates. We monitor the risk associated with interest rates on an ongoing basis, but we have not entered into any interest rate swaps or other financial instruments to actively hedge the risk of changes in prevailing interest rates.

Significantly all of our revenue is derived from domestic operations, so we believe the risk related to foreign currency exchange rates is minimal.

Item 8. ***Financial Statements and Supplementary Data***

See the Index included at "Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K."

Item 9. ***Changes In and Disagreements With Accountants on Accounting and Financial Disclosure***

None.

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

The information required by this item will be contained in our Proxy Statement for the Annual Meeting of Stockholders to be filed with the Commission within 120 days after December 31, 1998, and is incorporated herein by reference.

Item 11. ***Executive Compensation***

The information required by this item will be contained in our Proxy Statement for the Annual Meeting of Stockholders to be filed with the Commission within 120 days after December 31, 1998, and is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management***

The information required by this item will be contained in our Proxy Statement for the Annual Meeting of Stockholders to be filed with the Commission within 120 days after December 31, 1998, and is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions***

The information required by this item will be contained in our Proxy Statement for the Annual Meeting of Stockholders to be filed with the Commission within 120 days after December 31, 1998, and is incorporated herein by reference.

PART IV

Item 14. ***Exhibits, Financial Statement Schedules, and Reports on Form 8-K***

(a) Documents filed as part of this Report:

(1) *Index to Financial Statements:*

Report of Ernst & Young LLP F-2
Report of Arthur Andersen LLP F-3
Report of Deloitte & Touche LLP F-4
Consolidated Balance Sheets as of December 31, 1998 and 1997 ..... F-5
Consolidated Statements of Operations for the years ended December 31, 1998, 1997 and 1996 ..... F-6
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(2) *Index to Financial Statement Schedules:*

All Financial Statement Schedules for which provision is made in the applicable accounting regulations of the Commission (i) are included in the notes to the financial statements included in this report, (ii) are not required under the related instruction or (iii) are inapplicable and, therefore, have been omitted.

(3)(a) *Exhibits*

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of IXC Communications, Inc., as amended (incorporated by reference to Exhibit 3.1 of the IXC Communications, Inc.'s Quarterly Report Form 10-Q for the quarter ended September 30, 1998 filed with the Commission on November 16, 1998).
3.2	Bylaws of IXC Communications, Inc., as amended (incorporated by reference to Exhibit 3.2 of the IXC Communications, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1997 filed with the Commission on November 14, 1997).
4.1	Indenture dated as of October 5, 1995, by and among IXC Communications, Inc., on its behalf and as successor-in-interest to I-Link Holdings, Inc. and IXC Carrier Group, Inc., each of IXC Carrier, Inc., on its behalf and as successor-in-interest to I-Link, Inc., CTI Investments, Inc., Texas Microwave Inc. and WTM Microwave Inc., Atlantic States Microwave Transmission Company, Central States Microwave Transmission Company, Telcom Engineering, Inc., on its behalf and as successor-in-interest to SWTT Company and Microwave Network, Inc., Tower Communication Systems Corp., West Texas Microwave Company, Western States Microwave Transmission Company, Rio Grande Transmission, Inc., IXC Long Distance, Inc., Link Net International, Inc. (collectively, the "Guarantors"), and IBJ Schroder Bank & Trust Company, as Trustee (the "Trustee"), with respect to the 12½% Series A and Series B Senior Notes due 2005 (incorporated by reference to Exhibit 4.1 of IXC Communications, Inc.'s and each of the Guarantor's Registration Statement on Form S-4 filed with the Commission on April 1, 1996 (File No. 333-2936) (the "S-4")).
4.2	Form of 12½% Series A Senior Notes due 2005 (incorporated by reference to Exhibit 4.6 of the S-4).
4.3	Form of 12½% Series B Senior Notes due 2005 and Subsidiary Guarantee (incorporated by reference to Exhibit 4.8 of IXC Communications, Inc.'s Amendment No. 1 to Registration Statement on Form S-1 filed with the Commission on June 13, 1996 (File No. 333-4061) (the "S-1 Amendment")).
4.4	Amendment No. 1 to Indenture and Subsidiary Guarantee dated as of June 4, 1996, by and among IXC Communications, Inc., the Guarantors and the Trustee (incorporated by reference to Exhibit 4.11 of the S-1 Amendment).
4.5	Purchase Agreement dated as of March 25, 1997, by and among IXC Communications, Inc., Credit Suisse First Boston Corporation ("CS First Boston") and Dillon Read & Co. Inc. ("Dillon Read") (incorporated by reference to Exhibit 4.12 of IXC Communications, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 1997, filed with the Commission on May 15, 1997 (the "March 31, 1997 10-Q")).
4.6	Registration Rights Agreement dated as of March 25, 1997, by and among IXC Communications, Inc., CS First Boston and Dillon Read (incorporated by reference to Exhibit 4.13 of the March 31, 1997 10-Q).
4.7	Amendment to Registration Rights Agreement dated as of Marc 25, 1997, by and between IXC Communications, Inc. and Trustees of General Electric Pension Trust (incorporated by reference to Exhibit 4.14 of the March 31, 1997 10-Q).
4.8	Registration Rights Agreement dated as of July 8, 1997, among IXC Communications, Inc. and each of William G. Rodi, Gordon Hutchins, Jr. and William F. Linsmeier (incorporated by reference to Exhibit 4.15 of IXC Communications, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, as filed with the Commission on August 6, 1997 (the "June 30, 1997 10-Q")).
4.9	Registration Rights Agreement dated as of July 8, 1997, among IXC Communications, Inc. and each of William G. Rodi, Gordon Hutchins, Jr. and William F. Linsmeier (incorporated by reference to Exhibit 4.16 of the June 30, 1997 10-Q).

Exhibit Number	Description
10.16	IRU and Stock Purchase Agreement dated as of July 22, 1997, between IXC Internet Services, Inc. and PSINet Inc. (incorporated by reference to Exhibit 10.19 of IXC Communications, Inc.'s Amendment No. 1 to Form 10-Q/A for the quarter ended September 30, 1997 filed with the Commission on December 12, 1997 (the "September 30, 1997 10-Q/A")).
10.17	Joint Marketing and Services Agreement dated as of July 22, 1997, between IXC Internet Services, Inc. and PSINet Inc. (incorporated by reference to Exhibit 10.20 of the September 30, 1997 10-Q/A).
10.18	Employment Agreement dated as of September 9, 1997, between Benjamin L. Scott and IXC Communications, Inc. (incorporated by reference to Exhibit 10.21 of IXC Communication Inc.'s Amendment No. 1 to Registration Statement on S-4 filed with the Commission on December 15, 1997 (File No. 333-37157) ("Amendment No. 1 to the EPS S-4")).
10.19*	IXC Communications, Inc. 1997 Special Executive Stock Plan (incorporated by reference to Exhibit 10.22 of Amendment No. 1 to the EPS S-4).
10.20	First Amendment to Loan and Security Agreement dated as of December 23, 1997, among IXC Communications, Inc., IXC Carrier, Inc., NTFC and Export Development Corporation ("EDC") (incorporated by reference to Exhibit 10.21 of the 1997 10-K).
10.21	Second Amendment to Loan and Security Agreement dated as of January 21, 1998, among IXC Communications, Inc., IXC Carrier, Inc., NTFC and EDC (incorporated by reference to Exhibit 10.22 of the 1997 10-K).
10.22*	IXC Communications, Inc. 1998 Stock Plan (incorporated by reference to Exhibit 10.22 of the IXC Communications, Inc.'s Quarterly Report Form 10-Q for the quarter ended September 30, 1998 filed with the Commission on November 16, 1998).
10.23	Credit Agreement, dated as of October 27, 1998 among the Borrower, NationsBank, N.A., as a Lender and Administrative Agent, NationsBanc Montgomery Securities, LLC, as Lead Arranger, and Credit Suisse First Boston, Goldman Sachs Credit Partners, L.P., EDC and TD Securities (USA), Inc., each as a Lender and Co-Syndication Agent (incorporated by reference to Exhibit 10.1 of IXC Communications, Inc. Current Report on Form 8-K dated October 27, 1998 and filed with the Commission on November 4, 1998).
10.24†	Office Lease Agreement dated as of December 7, 1998, between B.O. III, LTD and IXC Communications Services, Inc.
10.25†*	Employment Agreement dated as of December 7, 1998, by and between IXC Communications, Inc. and Michael W. Vent.
21.1†	Subsidiaries of IXC Communications, Inc.
23.1†	Consent of Ernst & Young, LLP.
23.2†	Consent of Arthur Andersen LLP.
23.3†	Consent of Deloitte & Touche LLP.
23.4†	Consent of Arthur Andersen LLP.
23.5†	Auditors' Report of Arthur Andersen LLP
24.1	Powers of Attorney (included as the signature page of this Form 10-K).
27.1†	Financial Data Schedule.

* *Management contract or executive compensation plan or arrangement required to be indicated as such and filed as an exhibit pursuant to applicable rules of the Commission.*

† Filed herewith.

(b) *Reports on Form 8-K.*

(1) Form 8-K dated October 27, 1998 and filed with the Commission on November 4, 1998 with respect to a press release reporting on the Company's credit facility with certain lenders.

(2) Form 8-K dated October 29, 1998 and filed with the Commission on October 30, 1998 with respect to a press release announcing Company's results of operations for the quarter ended September 30, 1998.

(3) Form 8-K dated October 30, 1998 and filed with the Commission on October 30, 1998 with respect to a press release reporting on the Company's restated consolidated financial statements including the combined results of operations, financial position and cash flows of Eclipse Telecommunications, Inc. and the Company.

(4) Form 8-K dated November 18, 1998 and filed with the Commission on November 18, 1998 with respect to a press release reporting on the Company's comments on its outlook of results of operations for the quarter ending December 31, 1998.

(5) Form 8-K dated December 7, 1998 and filed with the Commission on December 8, 1998 with respect to a press release reporting on an agreement with DCI Telecommunications, Inc.

(6) Form 8-K dated December 14, 1998 and filed with the Commission on December 22, 1998 with respect to a press release reporting on the Company's Internet backbone network and a press release reporting on the Company's capacity agreement with Level 3 Communications.

SIGNATURES

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

IXC COMMUNICATIONS, INC.

By: /s/ JAMES F. GUTHRIE
James F. Guthrie
Executive Vice President and Chief Financial Officer

Dated: March 26, 1999

POWERS OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Benjamin L. Scott, President, Chairman of the Board and Chief Executive Officer of IXC Communications, Inc. and Jeffrey C. Smith, Senior Vice President, General Counsel and Secretary of IXC Communications, Inc., and each of them his true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

Signature	Title	Date
/s/ BENJAMIN L. SCOTT Benjamin L. Scott	President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	March 26, 1999
/s/ RALPH J. SWETT Ralph J. Swett	Director	March 26, 1999
/s/ JAMES F. GUTHRIE James F. Guthrie	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 26, 1999
/s/ RICHARD D. IRWIN Richard D. Irwin	Director	March 26, 1999
/s/ WOLFE H. BRAGIN Wolfe H. Bragin	Director	March 26, 1999
/s/ CARL W. MCKINZIE Carl W. McKinzie	Director	March 26, 1999
/s/ PHILLIP L. WILLIAMS Phillip L. Williams	Director	March 26, 1999
/s/ JOE C. CULP Joe C. Culp	Director	March 26, 1999

GLOSSARY

ATM (asynchronous transfer mode) — An information transfer standard that is one of a general class of technologies that relay traffic by way of an address contained within the first five bytes of a standard 53-byte-long packet or cell. The ATM format can be used by many different information systems, including local area networks, to deliver voice, video and data traffic at varying rates.

Backbone — The through-portions of a transmission network, as opposed to spurs which branch off the through-portions.

Bandwidth — The range of frequencies that can be transmitted through a medium, such as glass fibers, without distortion. The greater the bandwidth, the greater the information-carrying capacity of such medium.

Broadband — Broadband communications systems can transmit large quantities of voice, data and video. Examples of broadband communication systems include DS-3 fiber optic systems, which can transmit 672 simultaneous voice conversations, or a broadcast television station signal, that transmits high resolution audio and video signals into the home. Broadband connectivity is also an essential element for interactive multimedia applications.

Digital — A method of storing, processing and transmitting information through the use of distinct electronic or optical pulses that represent on/off states. Digital transmission and switching technologies (both fiber and microwave) employ a sequence of these pulses to represent information in contrast to the continuously variable analog signal. The precise digital numbers minimize distortion (such as graininess or snow in the case of video transmission, or static or other background distortion in the case of audio transmission). Both the Company's microwave and fiber optic facilities transmit digital information.

DS-1, DS-3 — Standard telecommunications industry digital signal formats, which are distinguishable by bit rate (the number of binary digits (0 and 1) transmitted per second). DS-0 service has a bit rate of 64 kilobits per second and can transmit only one voice or data transmission at a time. DS-1 service has a bit rate of 1.544 megabits per second and can transmit 24 simultaneous voice or data transmissions. DS-3 service has a bit rate of 45 megabits per second and can transmit 672 simultaneous voice or data transmissions.

DS-3 miles — A measure of the total capacity and length of a transmission path, calculated as the capacity of the transmission path in DS-3s multiplied by the length of the path in miles.

Frame Relay — A high-speed, data-packet switching service used to transmit data between computers. Frame Relay supports data units of variable lengths at access speeds ranging from 56 kilobits per second to 1.5 megabits per second. This service is well-suited for connecting local area networks, but is not appropriate for voice and video applications due to the variable delays which can occur. Frame Relay was designed to operate at high speeds on modern fiber optic networks.

Interexchange Carrier — A company providing inter-LATA or long distance services between LATAs on an intrastate or interstate basis.

Inter-LATA — InterLATA calls are calls that pass from one LATA to another. Typically, these calls are referred to as long distance calls.

Intra-LATA — IntraLATA calls are those local calls that originate and terminate within the same LATA.

Intranet — An infrastructure based on Internet standards and technologies that provides access to information within limited and well-defined groups such as universities, governments and other large organizations.

Kilobit — One thousand bits of information. The information-carrying capacity (i.e., bandwidth) of a circuit may be measured in "kilobits per second".

LATAs (local access and transport areas) — The approximately 200 geographic areas that define the areas between which the RBOCs were prohibited from providing long distance services prior to the Telecommunications Act.

LEC (local exchange carrier) — A company providing local telephone services.

Local loop — A circuit within a LATA.

Long distance switched services — Telecommunications services such as residential long distance services that are processed through digital switches and delivered over long-haul circuits and other transmission facilities.

Megabit — One million bits of information. The information-carrying capacity (i.e., bandwidth) of a circuit may be measured in "megabits per second".

OC-3, OC-12, OC-48 and OC-192 — Standard telecommunications industry measurements for optical transmission capacity distinguishable by bit rate transmitted per second and the number of voice or data transmissions that can be simultaneously transmitted through fiber optic cable. An OC-3 is generally equivalent to three DS3s and has a bit rate of 155.52 megabits per second and can transmit 2,016 simultaneous voice or data transmissions. An OC-12 has a bit rate of 622.08 megabits per second and can transmit 8,064 simultaneous voice or data transmissions. An OC-48 has a bit rate of 2,488.32 megabits per second and can transmit 32,256 simultaneous voice or data transmissions. An OC-192 has a bit rate of 9,953.28 megabits per second and can transmit 129,024 simultaneous voice or data transmissions.

Optronic — a combination of optical and electronic equipment.

RBOCs (regional Bell operating companies) — The seven local telephone companies (formerly part of AT&T) established by court decree in 1982.

SONET (synchronous optical network technology) — An electronics and network architecture for variable-bandwidth products which enables transmission of voice, video and data (multimedia) at very high speeds.

Switch — A device that opens or closes circuits or selects the paths or circuits to be used for transmission of information. Switching is a process of interconnecting circuits to form a transmission path between users.

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IXC COMMUNICATIONS, INC.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
IXC Communications, Inc.

We have audited the accompanying consolidated balance sheets of IXC Communications, Inc. and its subsidiaries as of December 31, 1998 and 1997 and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 1998. 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 did not audit the consolidated financial statements of Network Long Distance, Inc., including the subsidiaries Long Distance Telecom, Inc. and National Teleservice, Incorporated (collectively, Network Long Distance) which was combined with the Company on June 3, 1998, in a business combination accounted for as a pooling of interests as described in Note 3 to the consolidated financial statements, which statements reflect total assets constituting 5.5% of the related 1997 consolidated financial statement totals, and which statements reflect net loss constituting ($4.6) million and ($6.8) million of the related 1997 and 1996 consolidated financial statement totals, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to data included for Network Long Distance is based solely on the reports of the other auditors. The financial statements of Marca-Tel S.A. de C.V. (Marca-Tel), a corporation in which the Company has an indirect interest, have been audited by other auditors whose reports have been furnished to us; insofar as our opinion on the consolidated financial statements relates to data included for Marca-Tel, it is based solely on their report. In the consolidated financial statements, the Company's equity in the net loss of Marca-Tel is stated at ($15.9) million and ($23.6) million, for 1998 and 1997, respectively.

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

In our opinion, based on our audits and the reports of other auditors for the periods indicated, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of IXC Communications, Inc. and its subsidiaries at December 31, 1998 and 1997, and the consolidated 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.

/s/ ERNST & YOUNG LLP

Austin, Texas
February 28, 1999 (except for
Note 20, as to which the date is
March 10, 1999)

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of
Network Long Distance, Inc.:

We have audited the accompanying consolidated balance sheets of Network Long Distance, Inc. (a Delaware Corporation) and subsidiaries as of March 31, 1998, and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended March 31, 1998 and 1997. 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 did not audit the financial statements of National Teleservice, Incorporated, a company acquired during the year ended March 31, 1998 in a transaction accounted for as a pooling of interests. Such statements are included in the consolidated financial statements of Network Long Distance, Inc., and reflect total assets and total revenues of 28.1% and 30.6%, respectively, of the related consolidated totals as of and for the year ended March 31, 1997. These statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to amounts included for National Teleservice, Incorporated, is based solely upon the report of the other auditors.

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

In our opinion, based upon our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Network Long Distance, Inc. and subsidiaries as of March 31, 1998, and the results of their operations and their cash flows for the years ended March 31, 1998 and 1997, in conformity with generally accepted accounting principles.

/s/ ARTHUR ANDERSEN LLP

Jackson, Mississippi
May 18, 1998.

INDEPENDENT AUDITORS' REPORT

Board of Directors
National Teleservice, Incorporated
Winona, Minnesota

We have audited the accompanying consolidated balance sheets of National Teleservice, Inc. (the Company) as of March 31, 1997 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 1997, not separately presented herein. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express and opinion on these consolidated financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of National Teleservice, Inc. at March 31, 1997, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
July 28, 1997

IXC COMMUNICATIONS, INC.

CONSOLIDATED BALANCE SHEETS
(Dollars in thousands except share and per share amounts)

ASSETS

	December 31, 1998	December 31, 1997
Cash and cash equivalents	$ 264,826	$ 155,855
Accounts receivable, net of allowance for doubtful accounts of $16,664 in 1998 and $13,119 in 1997	107,558	112,357
Current portion of notes receivable	63,748	739
Note receivable from Westel	9,421	—
Prepaid expenses and other current assets	10,965	4,108
Total current assets	456,518	273,059
Property and equipment, net	983,676	613,874
Non-current marketable securities	219,880	—
Investment in unconsolidated subsidiaries	9,505	17,497
Deferred charges and other non-current assets	78,658	64,442
Total assets	$1,748,237	$ 968,872

LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT

Current portion of long-term debt	$ 13,984	$ 12,294
Accounts payable-trade	33,558	86,651
Accrued cost of service	43,177	56,994
Taxes payable	23,758	9,426
Accrued interest	8,768	8,911
Customer deposits	18,595	13,006
Current portion of unearned revenue	33,640	6,310
Other current liabilities	21,186	12,084
Total current liabilities	196,666	205,676
Long-term debt, less current portion	679,016	308,453
Unearned revenue — noncurrent	488,395	59,627
Other noncurrent liabilities	8,848	10,419
7¼% Convertible Preferred Stock with an aggregate liquidation preference of $.01 par value; authorized — 3,000,000 shares of all classes of Preferred Stock; 1,074,500 shares issued and outstanding (aggregate liquidation preference of $107,450) at December 31, 1998	103,623	101,239
12½% Exchangeable Preferred Stock; $.01 par value; authorized — 3,000,000 shares of all classes of Preferred Stock; 349,434 shares issued and outstanding (aggregate liquidation preference of $354,894, including accrued dividends of $5,460) at December 31, 1998	344,235	302,129
Stockholders' equity (deficit):		
10% Junior Series 3 Cumulative Preferred Stock, $.01 par value; authorized — 3,000,000 shares of all classes of Preferred Stock; no shares issued and outstanding at December 31, 1998 and 414 shares issued and outstanding at December 31, 1997 (aggregate liquidation preference of $692 at December 31, 1997)	—	1
6¾% Cumulative Convertible Preferred Stock, $.01 par value; authorized — 3,000,000 shares of all classes of Preferred Stock; 155,250 shares issued and outstanding at December 31, 1998 and no shares issued and outstanding at December 31, 1997 (aggregate liquidation preference of $155,250 at December 31, 1998)	2	—
Common Stock, $.01 par value; authorized— 100,000,000 shares; 36,409,709 shares and 35,575,325 shares issued and outstanding at December 31,1998 and December 31, 1997	364	356
Additional paid-in capital	253,429	143,355
Accumulated deficit	(326,341)	(162,383)
Total stockholders' deficit	(72,546)	(18,671)
Total liabilities, redeemable preferred stock and stockholders' deficit	$1,748,237	$ 968,872

See accompanying notes.

IXC COMMUNICATIONS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share data)

	Year Ended December 31,		
	1998	1997	1996
Net operating revenue:			
(Net of service credits and bad debt provisions of $55,113, $20,782, and $6,311, respectively)			
Private line service	$ 225,358	$ 161,570	$ 99,793
Long distance switched services	414,405	359,288	182,174
Data and Internet services	9,029	759	—
Other	19,776	—	—
	668,568	521,617	281,967
Operating expenses:			
Cost of services	433,300	395,667	194,881
Operations and administration	144,536	102,760	71,103
Depreciation and amortization	113,586	69,139	35,927
Merger costs	7,955	3,591	—
Operating loss	(30,809)	(49,540)	(19,944)
Interest income	14,339	7,565	2,838
Interest income on escrow under 12½% Senior Notes	—	203	7,404
Interest expense	(31,683)	(31,702)	(37,636)
Equity (loss) from unconsolidated subsidiaries	(32,986)	(23,800)	(1,961)
Other, net	226	29	(200)
Loss before (provision) benefit for income taxes, minority interest and extraordinary loss	(80,913)	(97,245)	(49,499)
(Provision) benefit for income taxes	(13,925)	(1,359)	5,880
Minority interest	(666)	(560)	(618)
Loss before extraordinary loss	(95,504)	(99,164)	(44,237)
Extraordinary loss on early extinguishment of debt, net of benefit for income tax of $6,265	(66,952)	—	—
Net loss	(162,456)	(99,164)	(44,237)
Dividends applicable to preferred stock	(58,239)	(21,636)	(1,739)
Net loss applicable to common stockholders	$(220,695)	$(120,800)	$(45,976)
Basic and diluted loss per share:			
Before extraordinary loss	$ (4.28)	$ (3.47)	$ (1.52)
Extraordinary loss	(1.87)	—	—
Net loss	$ (6.15)	$ (3.47)	$ (1.52)
Weighted average shares outstanding	35,868	34,777	30,277

See accompanying notes.

IXC COMMUNICATIONS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(Dollars and shares in thousands)

	10% Junior Series 3 Preferred Stock		6¼% Cumulative Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at December 31, 1995	13	$ 13	—	$—	27,284	$273	$ 42,300	$ (19,105)	$ 23,481
Issuance of common stock	—	—	—	—	6,533	65	95,849	—	95,914
Change in fiscal year of merged entities	—	—	—	—	—	—	—	123	123
Net loss	—	—	—	—	—	—	—	(44,237)	(44,237)
Balance at December 31, 1996	13	13	—	—	33,817	338	138,149	(63,219)	75,281
Issuance of common stock	—	—	—	—	1,187	12	23,440	—	23,452
Stock option exercises	—	—	—	—	63	1	1,967	—	1,968
Preferred dividends paid in kind and accrued	—	—	—	—	—	—	(20,047)	—	(20,047)
Conversion of Series 3 Preferred Stock	(12)	(12)	—	—	605	6	5	—	(1)
Other	—	—	—	—	(97)	(1)	(159)	—	(160)
Net loss	—	—	—	—	—	—	—	(99,164)	(99,164)
Balance at December 31, 1997	1	1	—	—	35,575	356	143,355	(162,383)	(18,671)
Effect of pooling of interests	—	—	—	—	—	—	—	(1,502)	(1,502)
Redemption of Series 3 Preferred Stock	(1)	(1)	—	—	—	—	(708)	—	(709)
Issuance of common stock for acquisitions	—	—	—	—	265	3	14,520	—	14,523
Stock option exercises	—	—	—	—	594	5	6,440	—	6,445
Issuance of preferred stock	—	—	155	2	—	—	148,061	—	148,063
Preferred dividends paid in kind and accrued	—	—	—	—	—	—	(58,239)	—	(58,239)
Net loss	—	—	—	—	—	—	—	(162,456)	(162,456)
Balance at December 31, 1998	—	$ —	155	$ 2	36,434	$364	$253,429	$(326,341)	$ (72,546)

See accompanying notes.

IXC COMMUNICATIONS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Year Ended December 31,		
	1998	1997	1996
Cash Flows from Operating Activities:			
Net loss	$(162,456)	$ (99,164)	$ (44,237)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:			
Depreciation	92,822	51,929	24,509
Amortization	21,945	18,912	12,703
Provision for doubtful accounts and service credits	55,113	20,782	6,311
Non-cash merger-related costs	1,603	—	—
Equity in net loss of unconsolidated subsidiaries	32,986	23,800	1,961
Minority interest in net (income) loss of subsidiaries	666	560	618
Compensation expense on stock options and phantom stock	143	1,447	254
Extraordinary loss on early extinguishment of debt	69,952	—	—
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(56,393)	(70,498)	(45,958)
Notes receivable from customers and IRU sales	50,770	—	—
Other current assets	(5,536)	879	660
Accounts payable — trade	(24,804)	26,242	19,971
Accrued liabilities and accrued service costs	2,533	15,903	4,436
Deferred income taxes	—	(457)	(6,135)
Deferred charges and other non-current assets	(5,910)	(30,513)	(3,774)
Unearned revenue	131,143	60,092	—
Other non-current liabilities	(2,237)	1,872	5,752
Net cash provided by (used in) operating activities	202,340	21,786	(22,929)
Cash Flows from Investing Activities:			
Release of funds from escrow under 12½% Senior Notes	—	69,564	154,244
Deposit into escrow under 12½% Senior Notes	—	(18,152)	(7,404)
Purchase of property and equipment	(476,382)	(315,853)	(136,976)
Acquisitions, net of cash acquired and common stock issued	(22,698)	(2,502)	(3,777)
Payments received from notes receivable	5,461	—	—
Proceeds from sale of property and equipment	2,224	—	—
Investments in unconsolidated subsidiaries	(31,510)	(35,497)	(7,319)
Net cash used in investing activities	(522,905)	(302,440)	(1,232)
Cash Flows from Financing Activities:			
Proceeds from issuance of debt	678,000	—	3,250
Net proceeds from sale of preferred stock	148,063	383,321	—
Principal payments on long-term debt and capital lease obligations	(367,788)	(11,499)	(16,679)
Payment of debt issue costs	(18,063)	—	(1,301)
Redemption of preferred stock	(709)	—	—
Payment of dividends	(13,732)	—	—
Issuance of common stock	5,267	173	94,069
Other financing activities	—	424	—
Net cash provided by financing activities	431,038	372,419	79,339
Effect of change in year-end from merged entities	(1,502)	—	537
Net increase in cash and cash equivalents	108,971	91,765	55,715
Cash and cash equivalents at beginning of year	155,855	64,090	8,375
Cash and cash equivalents at end of year	$ 264,826	$ 155,855	$ 64,090
Supplemental Disclosure of Cash Flow Information:			
Cash paid for:			
Income taxes	$ 3,739	$ 516	$ 706
Interest, net of amounts capitalized	$ 31,052	$ 30,638	$ 38,082

See accompanying notes.

1. Organization and Operations

Our company, IXC Communications, Inc. and its subsidiaries, is a provider of telecommunications services based in Austin, Texas. We are a leading provider of telecommunications transmission, data, Internet, and switched long distance services with a coast-to-coast digital fiber-optic network containing over 9,300 digital route miles, with additions to this network continuing to be constructed. We provide three principal products through both wholesale and retail distribution channels. We lease dedicated circuits to other companies for the transmission of voice and data ("private lines"). We transmit long distance traffic that is processed through our switches ("switched long distance services"). Finally, we are an Internet services and backbone provider that provides web hosting and other Internet services, frame relay and ATM-based switched data services ("Data/Internet").

2. Summary of Significant Accounting Policies

Principles of Consolidation

We are a Delaware corporation that incorporated in 1992. The accompanying consolidated financial statements include the accounts of IXC and our wholly-owned and majority-owned subsidiaries. Less-than-majority-owned subsidiaries, and subsidiaries for which control is deemed to be temporary, are accounted for using the equity method. For equity method investments, the Company's share of income is calculated according to the Company's equity ownership. Any differences between the carrying amount of an investment and the amount of the underlying equity in the net assets of the investee are amortized over the expected life of the investment. Significant intercompany accounts and transactions have been eliminated in the consolidated financial statements. Investments over which we do not exercise significant influence over financial or operating policies are reported using the cost method.

On June 3, 1998, the Company acquired Eclipse Telecommunications, Inc. ("Eclipse", formerly named Network Long Distance, Inc.) in a transaction accounted for as a pooling of interests. All prior period consolidated financial statements presented have been restated to include the combined results of operations, financial position and cash flows of Eclipse as though it had always been a part of IXC.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during each reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, money market funds and all investments with an initial maturity of three months or less. All cash equivalents are recorded at cost and classified as available for sale.

Property and Equipment

Property and equipment, including items acquired under capital lease arrangements, are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the various assets, ranging from three to twenty years. Depreciation begins the month after an asset is placed in service. Purchases of fiber usage rights from other carriers are recorded at cost and are depreciated over the lesser of the term of the related agreement or the estimated life of the fiber optic cable. Maintenance and repairs are charged to operations as incurred. Costs associated with uncompleted portions of the fiber optic network are

classified as construction in progress. Upon completion, the costs will be classified as transmission systems and depreciated over their useful lives.

Interest is capitalized as part of the cost of constructing the fiber optic network and for amounts invested in companies or joint ventures accounted for using the equity method during pre-operating periods. Interest capitalized during construction periods is computed by determining the average accumulated expenditures for each interim capitalization period and applying an average effective interest rate. Total interest capitalized during the years ended December 31, 1998, 1997, and 1996 was $16.2 million, $7.3 million, and $2.9 million, respectively.

We review long-lived assets for impairment by comparing the undiscounted cash flows estimated to be generated by those assets with the related carrying amount of the assets. Upon an indication of an impairment, a loss is recorded if the discounted cash flows projected for the assets is less than the assets' carrying value.

The Company's property and equipment consisted of the following as of December 31, 1998 and 1997 (in thousands):

	1998	1997
Land and rights of way	$ 3,997	$ 4,201
Buildings and improvements	38,966	22,006
Transmission systems	905,747	446,255
Furniture, vehicles and other	12,211	10,348
Fiber usage rights	98,882	34,991
Construction in process	133,852	216,481
	1,193,655	734,282
Less: Accumulated depreciation and amortization	(209,979)	(120,408)
Property and equipment, net	$ 983,676	$ 613,874

Deferred Charges and Other Non-current Assets

Deferred charges consist of deferred financing costs, deferred network costs, deferred customer acquisition costs, and goodwill. Deferred financing costs are costs incurred in connection with obtaining long-term financing; such costs are amortized as interest expense over the terms of the related debt agreements. Certain costs incurred with the connection of customers to the switched long distance network and the acquisition costs of retail customer accounts obtained through an outside sales organization were deferred and are amortized on a straight-line basis over two years. Goodwill associated with acquisitions is amortized over the life of that intangible. As of December 31, 1998, all goodwill is being amortized over 5 years. During 1997 and 1996, non-cash charges were recorded to reduce the carrying amount of certain customer acquisition costs and goodwill; such write-downs amounted to approximately $4.0 million in 1997 and $6.3 million in 1996 and are included in amortization expense. Accumulated amortization on all intangible assets amounted to $37.7 million and $13.8 million at December 31, 1998 and 1997, respectively.

Revenue

Private line voice and data circuit revenue is generated primarily by providing capacity on the fiber optic and microwave transmission networks at rates established under long-term contractual arrangements or on a month-to-month basis after contract expiration. Revenue is recognized as services are provided.

Switched long-distance service revenue is generated primarily by providing voice communication services. Revenue is generally based on usage and recognized as services are provided. Customers are billed monthly after services are rendered.

Data/Internet revenue is generated by providing a number of services, including Internet service, web hosting and consulting. Revenue is recognized as services are provided. Customers are billed monthly, generally after the service is provided.

Sales of indefeasible rights to use fiber or capacity ("IRU") are recorded as unearned revenue at the earlier of the acceptance of the applicable portion of the network by the customer or the receipt of cash. The revenue is recognized over the life of the agreement as services are provided beginning on the date of customer acceptance. IRU revenue and related maintenance revenue is included in private line revenue in the accompanying statement of operations. During 1998 revenue related to the sale of options in fibers that were jointly owned with another carrier was reported as other operating revenue, net of our basis in the options.

Fiber Exchange Agreements

In connection with the fiber optic network expansion, we entered into various agreements to exchange fiber usage rights. Non-monetary exchanges of fiber usage are recorded at the cost of the asset transferred or, if applicable, the fair value of the asset received. We account for agreements to exchange fiber for capacity with other carriers by recognizing the fair value of the revenue earned and expense incurred under the respective agreements. Exchange agreements accounted for non-cash revenue and expense (in equal amounts) of $19.1 million in 1998, $14.0 million in 1997, and $14.0 million in 1996.

Income Taxes

Deferred income taxes are provided for net operating losses and for temporary differences between the basis of assets and liabilities for financial reporting and income tax reporting. Investment tax credits are accounted for by the flow-through method.

Stock-Based Compensation

We account for employee stock options under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations. Under APB 25 compensation expense is recognized when the exercise price of employee stock options is less than the market price of the underlying stock on the date of grant.

Basic and Diluted Loss Per Share

Basic earnings per share is calculated using the weighted average number of common shares outstanding, excluding any dilutive effects of options, warrants and convertible securities. Diluted earnings per share includes the weighted average number of common shares outstanding and the number of common equivalent shares which would be issued related to options and convertible securities using the treasury method, unless such additional shares are anti-dilutive.

Reclassifications

We reclassified certain amounts for prior years to conform to the current year presentation.

3. Acquisitions

Eclipse Merger

On June 3, 1998, we completed the acquisition of Eclipse through a merger of a subsidiary with Eclipse, by exchanging approximately 4,051,970 shares of our common stock for all of the outstanding common stock of Eclipse. Each share of Eclipse common stock was exchanged for .2998 shares of our common stock. In addition, outstanding Eclipse stock options were converted at the same exchange factor into options to purchase shares of our common stock.

The merger constituted a tax-free reorganization and has been accounted for as a pooling of interests. Accordingly, all prior period consolidated financial statements have been restated to show our results of operations, financial position and cash flows combined with Eclipse. Prior to the merger, Eclipse utilized a March 31 fiscal year end. For purposes of the combined results of operations for the years ended December 31, 1997 and 1996, the amounts include Eclipse's historical results of operations for the years ended March 31, 1998 and 1997, respectively. In order to report cash flow for 1998, a $1.5 million adjustment is included in the 1998 statements of stockholders' equity(deficit) and cash flows, representing Eclipse's first quarter 1998 net income, which is in both the beginning retained earnings balance and the fiscal 1998 net income amount. We had no transactions with Eclipse prior to the merger; however, certain reclassifications, primarily related to the presentation of certain excise taxes and bad debt provisions, were made to conform Eclipse's accounting policies to our accounting policies. The results of operations for the separate companies and the combined amounts presented in the restated consolidated financial statements follow (in thousands):

	Eclipse	IXC	Adjustments	Combined
1997				
Operating revenue	$105,823	$420,710	$(4,916)	$521,617
Operating expenses	110,204	465,945	(4,992)	571,157
Net income (loss)	(4,609)	(94,555)	—	(99,164)
1996				
Operating revenue	$ 86,005	$203,761	$(7,799)	$281,967
Operating expenses	91,933	217,777	(7,799)	301,911
Net income (loss)	(6,789)	(37,448)	—	(44,237)

A reconciliation of the Company's historical loss per share to the loss per share as restated due to the Eclipse merger is as follows:

	1997	1996
Loss per share, as previously reported	$(3.75)	$(1.42)
Effect of Eclipse's income (loss)	(0.15)	(0.25)
Effect of change in weighted average shares Outstanding	0.43	0.15
Restated basic and diluted loss per share	$(3.47)	$(1.52)

The effect of change in the weighted average shares outstanding represents the addition of shares issued to Eclipse's former shareholders in order to complete the merger. The effect of Eclipse's income (loss) represents the impact of adding Eclipse's net income or loss to our historical results.

We recorded in 1998 a charge of $8.0 million for merger related costs, including professional services associated with the merger, termination costs associated with duplicate functions, costs of exiting excess office space, and the write-off of duplicate equipment and software.

Other Acquisitions

Prior to the merger with Eclipse, both we and Eclipse had entered into several business combinations and customer base acquisitions. Certain of those combinations were accounted for using the pooling of interests method, and the results of operations of those acquired businesses are included herein for all periods presented. The results of operations of other businesses acquired through purchase transactions are included herein for only the periods subsequent to their respective purchase. No pro forma financial information for any of the business combinations has been presented in these consolidated financial statements as the revenue, results of operations, and assets of the previously acquired businesses are not material.

The acquisitions recorded as purchases were paid for with cash or common stock. The consideration paid and assets acquired during the years ended December 31, 1998, 1997, and 1996 are as follows (in thousands):

	1998	1997	1996
Fair value of tangible assets acquired	$ 10,822	$ (85)	$ 776
Liabilities assumed	(3,362)	—	—
Excess of cost over net assets acquired	29,761	26,039	4,863
Value of common stock issued	(14,523)	(23,452)	(1,862)
Cash paid for acquisitions	$ 22,698	$ 2,502	$ 3,777

Pending Coastal Acquisition

In January 1999 we entered into an agreement to purchase Coastal Telephone Company for approximately $100 million, of which $25 million is anticipated to be paid in stock. Coastal is a retail long distance reseller. Closing is expected to occur in the second quarter of 1999 and is subject to certain terms and conditions.

4. Notes Receivable

We sold an IRU to a customer in 1996. The customer elected to pay for the IRU with a series of notes. Notes amounting to $94.1 million were agreed to by the customer in 1998, of which $45.0 million was received in 1998. The remaining balance due at December 31, 1998, was $49.1 million, of which $48.0 million is classified as current. The notes bear interest at 12% and are payable in 6 quarterly installments beginning on the date the applicable portion of the IRU was accepted. In March 1999, the customer repaid the total amount of the note.

We sold a $14.1 million capacity IRU to a customer in 1998. The customer agreed to pay for the IRU with $3.0 million in cash and an $11.1 million note. We received $1.0 million in payments on the note in 1998. The remaining $10.1 million of the note is due in 1999 and is classified as a current note receivable.

We accepted a $14.9 million note receivable from Westel, a partner in the Marca-Tel investment, to repay us for certain contributions previously made to Progress International, LLC, which holds the investment in Marca-Tel. The note is secured by Westel's interest in Progress. The note bears interest at 12%, and $9.4 million is outstanding and classified as current at December 31, 1998.

5. Investments in Unconsolidated Subsidiaries

Investments in and advances to unconsolidated subsidiaries accounted for using the equity method are as follows at December 31, 1998 and 1997 (in thousands):

	Ownership Interest	Balance of Investments and Advances	
		1998	1997
Marca-Tel S.A. de C.V.	24.5%	$(11,827)	$11,638
Applied Theory, Inc.	34%	10,727	—
Unidial Communications, Services, LLC	20%	7,931	—
Storm Telecommunications Ltd.	40%	2,674	5,859
Total		$ 9,505	$17,497

The combined results of operations and financial position from all the investees accounted for using the equity method during 1998 as well as the Company's share of their income (loss) are summarized below (in thousands):

	1998	1997	1996
Combined Results of Operations:			
Net revenue	$ 51,162	$ 5,786	$ —
Gross profit(loss)	7,071	(4,556)	(3,110)
Net loss	(37,378)	(23,395)	(3,120)
IXC's share of losses from equity-method investees	$(23,477)	$(23,800)	$(1,961)
IXC's share of loss from PSINet investment	(9,509)	—	—
Losses from equity-method investments	$(32,986)	$(23,800)	$(1,961)
Combined Balance Sheet Data:			
Current assets	$ 49,275	$ 10,123	
Non-current assets	97,989	80,351	
Current liabilities	60,455	18,431	
Non-current liabilities	78,454	51,831	

Marca-Tel

At December 31, 1998, we indirectly owned 24.5% of Marca-Tel S.A. de C.V. ("Marca-Tel") through our ownership of 50% of Progress, which owned 49% of Marca-Tel. The remaining 51% of Marca-Tel was owned by a Mexican individual and Formento Radio Beep, S.A. de C.V. ("Radio Beep"). The other 50% of Progress was owned by Westel International, Inc. ("Westel"). In June 1998 we obtained a note receivable from Westel for $14.9 million of advances that we had made to Progress International on Westel's behalf. The note receivable from Westel is secured by a portion of Westel's investment in Progress. During the fourth quarter of 1998 we ceased recognition of additional losses from Marca-Tel since our investment in Marca-Tel, net of the note receivable from Westel, was reduced to a negative amount. See Note 20 for discussion of matters related to the Westel note in March 1999.

Applied Theory, Inc.

In May 1998 we purchased a 34% interest in Applied Theory Communications, Inc., a New York-based Internet Service Provider. Applied Theory, Inc. was formed in 1996 to provide high quality Internet services

for the New York state research and education community. During 1998 we invested almost $13 million in Applied Theory, Inc.

UniDial Communications Services, LLC

In December 1997 we formed a joint venture with UniDial Communications to sell UniDial products over our network. The joint venture is named UniDial Communications Services, LLC. We provide the joint venture with a full range of voice, video, Internet, and data services which are private labeled under the UniDial Communications name. The products are marketed through a full-time national sales force of UniDial Communications network consultants.

Storm Telecommunications Ltd.

In October 1997, Storm Telecommunications, Ltd. was formed. Storm is a joint venture with Telenor AS, the Norwegian national telephone company, to provide telecommunication services to carriers and resellers in Europe. The joint venture is owned 40 percent by us, 40 percent by Telenor Global Services AS, and 20 percent by Clarion Resources Communications Corporation, a U.S.-based telecommunications company in which Telenor owns a controlling interest. We have two out of five seats on the joint venture's board.

6. Marketable Securities

Investment in PSINet Common Stock.

In February 1998 we entered into an agreement to provide PSINet an IRU in 10,000 miles of OC-48 transmission capacity on our network over a 20-year period in exchange for approximately 10.2 million shares of PSINet's common stock. The agreement provided that PSINet would pay us additional cash or common stock if the market value of the 10.2 million shares did not reach $240 million within a specified time. In January 1999 the value of PSINet's common stock exceeded the $240 million valuation threshold, thereby eliminating any obligation of PSINet to make any additional payments. The market value of the 10.2 million shares at March 30, 1999 was $448.2 million. These shares may be sold by us or pledged as collateral against indebtedness. The amount of fair value which exceeds the $240 million threshold will be credited to stockholders' equity going forward.

From February 1998 through May 1998 we accounted for the investment in PSINet using the equity method since we considered ourselves to have significant influence over PSINet based upon our level of ownership and control. We recognized losses of approximately $9.5 million during that period. In June 1998 we changed from the equity method to the cost method due to a change in the level of ownership and control. At December 31, 1998, our investment in PSINet was carried at $202.1 million and is included in non-current marketable securities in the accompanying consolidated balance sheet. The fair value of the investment as of December 31, 1998, was $211.6. The difference between the fair value of the investment and the carrying value results from losses recognized when the investment was accounted for using the equity method.

A corresponding balance of $210.7 million is included in unearned revenue because PSINet agreed to either pay us in cash or stock an amount up to $240 million for the IRU if the shares' value was less than $240 million. The amount in unearned revenue is being recognized as IRU revenue over the 20-year life of the agreement as the capacity is delivered. Additionally, we began receiving a maintenance fee that, as the full capacity is used by PSINet, is expected to increase to approximately $11.5 million per year.

Investment in DCI Telecommunications, Inc. Common Stock

In November 1998 we entered into an agreement to acquire common stock of DCI Telecommunications, Inc. ("DCI"), as consideration for payment of amounts due from on of our customers that was also a vendor of DCI. The agreement provides that DCI will issue us additional common stock if the market value of the shares does not reach $18 million by June 1, 1999. The investment in DCI is included in non-current marketable securities in the accompanying consolidated balance sheet. The fair value of the investment is equal to the carrying value due to the guarantee to receive additional shares if the price of the stock is outside a specified range.

7. Long-term Debt and Capital Lease Obligations

Long-term debt and capital lease obligations consisted of the following at December 31, 1998 and 1997 (in thousands):

	1998	1997
Amounts due under Revolving Credit Facility	$200,000	$ —
9% Senior Subordinated Notes	450,000	—
NTFC Credit Facility	23,800	—
12½% Senior Notes, net of unamortized discount of $6,862 in 1997	815	278,138
Capital lease obligations	16,115	36,595
Other debt	2,270	6,014
Total long-term debt and capital lease obligations	693,000	320,747
Less current portion	(13,984)	(12,294)
Long-term debt and capital lease obligations	$679,016	$308,453

Revolving Credit Facility

In October 1998 we entered into a $600 million credit facility with a syndicate of financial institutions. The credit facility provides for: 1) a $150 million revolving loan facility (which also includes letter of credit availability of up to $20 million); 2) a term loan facility in the amount of $200 million; and 3) an uncommitted special-purpose loan facility that can be used under certain terms and conditions. Loans outstanding under the credit facility bear interest at either LIBOR or the lead commercial bank's prime rate plus applicable margins. At December 31, 1998, we selected the LIBOR option resulting in a combined interest rate of 7.75%. The facility has a five-year term and is secured by the assets of certain of our subsidiaries. In October 1998, we drew down $200 million under the facility, net of $4.2 million of transaction costs. We must comply with various financial and other covenants on an ongoing basis in addition to meeting the covenants on a pro forma basis prior to drawing additional amounts under the credit facility. Certain of the covenants become more restrictive over time. From time to time we have discussions with the commercial banks to ensure that we will remain in compliance with these covenants on a prospective basis.

9% Senior Subordinated Notes

In 1998 we issued $450.0 million of 9% Senior Subordinated Notes due 2008 (the "9% Notes"). In connection with the sale of the 9% Notes, we announced a tender offer to purchase for cash all of the outstanding 12½% Senior Notes. The 9% Notes are general unsecured obligations and are subordinate in right of payment to all existing and future senior indebtedness and other liabilities of our subsidiaries. The indenture related to the 9% Notes requires us to comply with various financial and other covenants and restricts us from incurring certain additional indebtedness.

12½% Senior Notes

In a tender offer in 1998, $284.2 million (out of $285.0 million) in aggregate principal amount of the 12½% Senior Notes was tendered and accepted for payment. The 12½% Senior Notes indenture was amended to eliminate substantially all of its restrictive covenants and guarantees. We used approximately $342.7 million of the $435.6 million net proceeds of the 9% Notes offering to pay the tender offer price for the 12½% Senior Notes. With the early extinguishment of the 12½% Senior Notes a net charge of approximately $67.0 million was recorded as an extraordinary item in 1998.

NTFC Credit Facility

In 1997 we entered into a $28 million secured equipment financing facility with NTFC Capital Corporation. Advances borrowed under this facility bear interest at 8.85% and are due in 2003.

Capital Leases

We have acquired certain facilities and equipment using capital leases. The gross amount of assets recorded under capital leases at December 31, 1998 and 1997 was $41.7 million and $39.6 million, respectively. The related accumulated depreciation was $25.0 million and $17.9 million at December 31, 1998 and 1997, respectively.

Annual maturities of long-term debt and minimum payments under capital leases for the five years subsequent to December 31, 1998, are as follows (in thousands):

	Long-Term Debt	Capital Leases	Total
1999	$ 7,870	$ 7,624	$ 15,494
2000	5,600	6,177	11,777
2001	5,600	3,506	9,106
2002	5,600	839	6,439
2003	201,400	162	201,562
Thereafter	450,815	—	450,815
	676,885	18,308	695,193
Less amounts related to interest	—	(2,193)	(2,193)
	676,885	16,115	693,000
Less current portion	(7,870)	(6,114)	(13,984)
	$669,015	$10,001	$679,016

8. Redeemable Preferred Stock

7¼% Junior Convertible Preferred Stock Due 2007

In 1997 we issued $100 million (1,000,000 shares) of 7¼% Junior Convertible Preferred Stock Due 2007. The 7¼% Convertible Preferred Stock is convertible at the option of the holder into shares of common stock at a conversion rate of 4.263 shares of common stock for each share of 7¼% Convertible Preferred Stock. On March 31, 2007, the 7¼% Convertible Preferred Stock must be redeemed at a price equal to the liquidation preference ($100 per share) plus accrued and unpaid dividends. Because it is mandatorily redeemable, it is not included in stockholders' equity. Dividends payable on or before March 31, 1999 are payable in either cash or additional shares of 7¼% Convertible Preferred Stock. Thereafter, dividends will accrue at 8¾% if we elect to pay the dividend through the issuance of additional shares of 7¼% Convertible Preferred Stock. The difference

between the carrying value of the 7¼% Convertible Preferred Stock and its redemption value is being accreted to additional paid-in-capital through the mandatory redemption date; the accretion is included in dividends applicable to preferred stock.

12½% Junior Exchangeable Preferred Stock Due 2009

In 1997 we issued $300 million (300,000 shares) of 12½% Junior Exchangeable Preferred Stock Due 2009. We may elect to exchange all of the 12½% Exchangeable Preferred Stock for 12½% Subordinated Exchange Debentures Due 2009 ("Exchange Debentures"). The exchange would be made based on a principle amount equal to the liquidation preference of the 12½% Exchangeable Preferred Stock at the time of the exchange. If exchanged, the Exchange Debentures will bear interest at the rate of 12½%. The Exchange Debentures would be general unsecured obligations and would be subordinated in right of payment to all existing and future senior indebtedness. On August 15, 2009, the 12½% Exchangeable Preferred Stock must be redeemed at a price equal to its liquidation preference ($1,000 a share) plus accrued and unpaid dividends. Because it is mandatorily redeemable, it not included in stockholders' equity. Dividends on the 12½% Exchangeable Preferred Stock accrue at 12½% of the liquidation preference (including unpaid dividends) and are payable quarterly in arrears. Dividends payable prior to or on February 15, 2001, may be paid in either cash or additional shares of 12½% Exchangeable Preferred Stock. After February 15, 2001, dividends on the 12½% Exchangeable Preferred Stock may be paid only in cash. The difference between the carrying value and the redemption value of the 12½% Exchangeable Preferred Stock is being accreted to additional paid-in-capital through the mandatory redemption date; the accretion is included in dividends applicable to preferred stock.

9. Stockholders' Equity

Common Stock

During 1996, we issued 6,440,000 shares of common stock in an initial public offering and a private placement, resulting in net proceeds of $94.1 million. At December 31, 1998, we had reserved common shares for future issuance as follows:

Shares reserved for issuance under stock option plans	6,420,137
7¼% Convertible Preferred Stock	4,580,594
6¾% Cumulative Convertible Preferred Stock	2,134,377
Total	13,135,108

Stockholder Rights Plan

In September 1998 the Board of Directors declared a dividend of one Preferred Share Purchase Right (a "Right") on each outstanding share of its Common Stock. Each Right entitles the holder to buy one one-thousandth of a share of new Series A Junior Participating Preferred Stock at an exercise price of $210.00 per Right. The Rights will be exercisable if a person or group acquires 20% or more of the common stock (or if a stockholder currently holding more than 20% of the outstanding stock acquires any additional shares of common stock) or announces a tender offer for 20% or more of the common stock. We will be entitled to redeem the Rights at one cent per Right at any time before any such person acquires 20% or more of the outstanding common stock. Each Right will entitle its holder to purchase, at the Right's exercise price, a number of shares of common stock having a market value at that time of twice the Right's exercise price. Rights held by the 20% or more holder will become void and will not be exercisable to purchase shares at the bargain purchase price. If we are acquired after a person acquires 20% or more of our common stock, each Right will entitle its holder to purchase, at the Right's then-current exercise price, a number of the acquiring company's common shares having a market value at that time of twice the Right's exercise price. The dividend

distribution was payable to stockholders of record on September 20, 1998. The Rights will expire on September 20, 2008.

6¾% Cumulative Convertible Preferred Stock

In 1998 we sold 155,250 shares of 6¾% Cumulative Convertible Preferred Stock for gross proceeds of $155.3 million. The 6¾% Convertible Preferred Stock can be converted at any time at the option of the holder into Common Stock. The conversion rate is 13.748 shares of common stock per share of 6¾% Convertible Preferred Stock. Dividends on the 6¾% Convertible Preferred Stock are payable quarterly in arrears in cash or common stock commencing on July 1, 1998.

Junior Series 3 Cumulative Redeemable Preferred Stock

In 1997 and 1998 we redeemed the Junior Series 3 Cumulative Redeemable Preferred Stock by exchanging it for shares of common stock. Holders of Junior Series 3 Cumulative Redeemable Preferred Stock received approximately 49.85 shares of common stock for each share of Junior Series 3 Cumulative Redeemable Preferred Stock.

Stock-Based Compensation

We adopted several stock option plans that provide for the issuance of non-qualified or incentive stock options to employees and directors. Options under these plans are generally awarded at the discretion of the Board of Directors and generally are awarded with exercise prices at least equal to the fair market value of the underlying common stock at the date of grant. Certain options granted in 1996 under one plan were granted at an exercise prices less than fair market value, resulting in the recognition of additional compensation expense of $0.1 million in 1998, $0.2 million in 1997, and $0.2 million in 1996. Options generally expire after 10 years and vest over periods ranging from three to five years. In the event of a change in control, certain of the options outstanding will vest fully.

In 1996 we adopted a phantom stock plan (the "Directors' Plan"), pursuant to which $20,000 per year of outside director's fees for certain directors is deferred and treated as if it were invested in shares of our common stock. Prior to 1998 no shares of common stock were actually purchased and the participants receive cash benefits equal to the value of the shares that they are deemed to have purchased under the Directors' Plan. Distribution of benefits generally will occur three years after the deferral. Compensation expense is determined based on the market price of the shares deemed to have been purchased and is charged to expense over the related period. In 1998, 1997 and 1996, the Company recognized $.1 million, $.1 million and $.1 million as compensation expense related to the Directors' Plan. We amended the Directors' Plan in 1998 to allow benefits to be paid in either cash or shares of common stock.

Prior to the pooling-of-interests transaction Eclipse granted stock options to various parties from time to time. The terms and conditions of the Eclipse options, including exercise prices and option expiration periods, were set by Eclipse's board of directors. In connection with the Eclipse merger, all outstanding Eclipse options were converted into substitute options at an exchange rate of .2998 IXC option for each Eclipse option. Such substitute options provided for substantially the same terms and conditions as the original Eclipse options. Under the terms of a stock option agreement with a former officer of a subsidiary of Eclipse, a $1.1 million charge for compensation was recorded in fiscal 1997.

We account for employee stock options under APB 25 and only make fair value disclosures for option grants. The fair value disclosures assumes that fair value for option grants was calculated at the date of grant using the Black-Scholes option pricing model with the following assumptions: risk-free interest rates of 5.6% in 1998, from 5.2% to 6.4% in 1997, and 5.3% to 6.7% in 1996; no dividend yield; volatility of .804 in

1998, .551 in 1997 and .523 for 1996 (for Eclipse options, fair value was calculated assuming volatility factors of .376 in 1997 and .478 in 1996); and expected option lives of 4 years.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. Pro forma loss per share information is as follows (in thousands except for loss per share information):

	1998	1997	1996
Pro forma loss applicable to common stockholders	$(237,008)	$(125,564)	$(46,791)
Pro forma basic and diluted loss per share	(6.61)	(3.61)	(1.55)

Stock option activity and related information for the years ended December 31, 1998, 1997, and 1996 are as follows:

	1998		1997		1996	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of year	3,144,947	$17.12	2,018,961	$11.90	1,006,240	$11.67
Granted	3,199,401	34.34	1,324,347	25.43	1,165,333	12.55
Exercised	(594,107)	8.87	(62,976)	11.22	(19,702)	3.01
Forfeited	(305,729)	25.01	(135,385)	24.16	(132,910)	17.02
Outstanding at end of year	5,444,512	22.71	3,144,947	17.12	2,018,961	11.90
Exercisable at end of year	1,140,334		984,742		525,948	
Weighted average fair value of options granted during the year	$ 21.96		$ 14.67		$ 7.50	

The following table summarizes outstanding options at December 31, 1998, by price range:

Outstanding				Exercisable	
Options	Range of Exercise Prices	Weighted Average Exercise Price	Weighted Average Contractual Life	Options	Weighted Average Exercise Price
555,433	$3.01	$ 3.01	6.0	457,316	$ 3.01
131,426	$15.38 to $26.25	15.38	6.8	76,155	15.38
2,113,408	$15.38 to $26.28	22.08	9.1	324,972	22.18
1,318,219	$26.29 to $36.88	29.54	8.5	281,891	29.03
562,026	$36.89 to $45.00	42.17	8.8	—	—
764,000	$45.00 to $60.00	51.46	8.6	—	—
5,444,512	$ 3.01 to $60.00	22.71	8.4	1,140,334	15.73

10. Loss Per Share

No potentially dilutive securities were included in the basic and diluted loss per share calculation as they would have been anti-dilutive. The following table summarizes additional common shares that would, if converted, dilute earnings. The number of common shares for each item is based on the number of potentially dilutive securities outstanding as of the end of the year presented. The figures presented for the 6¾% Converti-

ble Preferred Stock and the 7¼% Convertible Preferred Stock assume that each preferred share was converted into 13.748 common shares and 4.263 common shares, respectively. Certain shares of common stock were held in escrow under the terms of purchase agreements related to acquisitions made during 1995 and 1996. Additionally, shares are held in escrow related to certain former owners of our Eclipse subsidiary. All shares held in escrow are excluded from the calculation of weighted average shares outstanding.

	1998	1997	1996
7¼% Convertible Preferred Stock	4,580,594	4,499,030	—
6¾% Convertible Preferred Stock	2,134,377	—	—
Stock options	5,444,512	3,149,947	2,018,961
Stock in escrow from acquisitions	26,008	26,008	26,008
Other stock in escrow	93,941	93,941	187,881
Total additional common share equivalents	12,279,432	7,768,926	2,232,850

11. Concentrations of Credit Risk and Major Customers

Financial instruments that potentially create concentrations of credit risk consist primarily of cash equivalents and trade receivables. We place cash equivalents in quality investments with reputable financial institutions.

We may be subject to credit risk due to concentrations of receivables from companies which are telecommunications providers, Internet service providers, and cable television companies. We perform ongoing credit evaluations of customers' financial condition and we typically do not require a significant amount of collateral.

Revenue from Excel Communications amounted to 14%, 23%, and 25% of total revenue for each of the years ended December 31, 1998, 1997 and 1996. In 1998 the revenue was generated 11% in the long distance segment and 3% in the private line segment. In 1997 and 1996 the revenue was generated in the long distance segment only. In addition, MCIWorldCom accounted for 6.6% of 1998 revenue, all of which was private line revenue.

12. Income Taxes

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of deferred tax assets and liabilities are as follows as of December 31, 1998 and 1997 (in thousands):

	1998	1997
Deferred Tax Assets:		
Tax credit carryforwards	$ 4,524	$ 2,068
Net operating loss carryforwards	22,053	37,999
Investment in unconsolidated subsidiaries	42,638	9,465
Deferred revenue	97,577	19,787
Reserve for bad debts	17,591	4,938
Accrued expenses	3,344	3,537
Gross deferred tax assets	187,727	77,794
Valuation allowances	(123,331)	(56,776)
Net deferred tax asset	64,396	21,018
Deferred Tax Liabilities:		
Tax over book depreciation	(65,233)	(21,738)
Other liability accruals	(917)	(1,034)
Gross deferred tax liabilities	(66,150)	(22,772)
Net deferred tax liabilities	$ (1,754)	$ (1,754)
As Recorded in the Consolidated Balance Sheets:		
Current deferred tax assets	$ 4,961	$ 947
Noncurrent deferred tax liability	(6,715)	(2,701)
Gross deferred tax liabilities	$ (1,754)	$ (1,754)

At December 31, 1998, we had net operating loss carryforwards of approximately $55.1 million for income tax purposes that expire through 2012. The Company has minimum tax and investment tax credit carryforwards at December 31, 1998 of approximately $3.2 million and $1.4 million, respectively. The minimum tax credits can be carried forward indefinitely. The investment tax credits expire in 2001.

Valuation allowances were established to offset a portion of the Company's deferred tax assets at December 31, 1998 and 1997, respectively. During the years ended December 31, 1998, 1997 and 1996, the valuation allowance was increased by $66.6 million, $37.5 million and $18.5 million, respectively.

The increase in the current tax provision in 1998 relates to deferred tax assets created by continuing operations which have not been benefitted, net operating losses attributable to the extraordinary item, and the non-qualified stock option deduction which was not benefitted. Significant components of the benefit

(provision) for income taxes attributable to current operations for the years ended December 31, 1998, 1997, and 1996, are as follows (in thousands):

	1998	1997	1996
Current:			
Federal	$ (7,128)	$ —	$ (5)
State	(6,797)	(1,816)	(250)
Total Current	(13,925)	(1,816)	(255)
Deferred:			
Federal	—	393	4,869
State	—	64	1,266
Total deferred	—	457	6,135
Benefit (provision) for income taxes	$(13,925)	$(1,359)	$5,880

Reconciliations of the income tax benefit (provision) attributable to continuing operations computed at the U.S. federal statutory tax rates to income tax benefit (provision) for the years ended December 31, 1998, 1997, and 1996, are as follows (in thousands):

	1998	1997	1996
Tax benefit at federal statutory rate	$ 28,320	$ 34,126	$ 17,260
State income tax benefit (provision)	(292)	3,690	3,106
Tax attributes not benefitted	(39,699)	(37,529)	(18,491)
Resolution of tax examinations	—	—	3,511
Permanent and other differences	(2,254)	(1,646)	494
Benefit (provision) for income taxes	$(13,925)	$ (1,359)	$ 5,880

13. Related Party Transactions

A law firm, of which a director and stockholder is a principal, provided legal services in the amount of approximately $3.3 million in 1998, $4.3 million in 1997, and $3.5 million in 1996.

14. Fair Value of Financial Instruments

The following methods and assumptions were used in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheets for cash and cash equivalents approximates fair value.

Accounts receivable and accounts payable: The carrying amounts reported in the balance sheets for accounts receivable and accounts payable approximate fair value.

Notes receivable: The carrying amounts reported in the balance sheet for notes receivable approximate fair value because of the short-term nature of the notes and because their interest rates are comparable to current rates.

Marketable securities: The fair values of marketable securities are based on quoted market prices and the presence of contractually guaranteed values.

Long-term debt: The fair value of the 9% Notes is estimated at $450.6 million based on their last trading price in 1998. The carrying values of the capital lease obligations and $200 million credit facility approximate

fair values because the interest rates on these obligations are comparable to the interest rates that could have been obtained at the date of the balance sheet.

Preferred stock: The fair values of the 7¼% Convertible Preferred Stock and the 12½% Exchangeable Preferred Stock were not determined due to the impracticability of such a calculation based on their limited market and lack of an actively quoted price.

15. Commitments and Contingencies

From time to time we are involved in various legal proceedings, all of which have arisen in the ordinary course of business and some of which are covered by insurance. In the opinion of management, none of the claims relating to such proceedings will have a material adverse effect on our financial condition or results of operations.

We lease certain facilities, equipment and transmission capacity under noncancellable operating leases. Future minimum annual lease payments under these lease agreements at December 31, 1998, are as follows (in thousands):

	Operating Leases
1999	$38,844
2000	21,414
2001	16,774
2002	10,953
2003	7,909
Thereafter	16,830

Lease expense relating to facilities, equipment and transmission capacity leases, excluding amortization of fiber exchange agreements, was approximately $120.5 million, $99.1 million and $50.6 million for the years ended December 31, 1998, 1997 and 1996, respectively.

There is a defined contribution retirement and 401(k) savings plan which covers all full-time employees with one year of service. The Company contributes 6% of eligible compensation, as defined in the plan, and matches 100% of the employee's contributions up to a maximum of 3% of the employee's compensation. Employees vest in the Company's contribution over five years. Benefit expense for 1998, 1997, and 1996 was approximately $2.8 million, $1.3 million, and $0.8 million, respectively. We also continue to operate certain defined contribution benefit plans that were operated by Eclipse prior to the merger. Contributions to these plans amounted to $68,000 and $90,000 in 1997 and 1996, respectively.

16. Valuation and Qualifying Accounts

Activity in the allowance for doubtful accounts and service credits was as follows (in thousands):

For the Years Ended	Balance at Beginning of Period	Charged to Revenue	Deductions	Balance at End of Period
December 31, 1998	$13,119	$55,113	$51,568	$16,664
December 31, 1997	$ 6,407	$20,782	$14,070	$13,119
December 31, 1996	$ 2,842	$ 6,311	$ 2,746	$ 6,407

17. Quarterly Results

Unaudited quarterly results are as follows (in thousands except per share amounts):

	Three Month Period Ended			
	March 31, 1998	June 30, 1998	September 30, 1998	December 31, 1998
Net operating revenue	$157,583	$ 155,935	$185,269	$169,781
Gross profit	49,634	48,342	75,285	62,007
Net loss	(17,895)	(102,507)	(15,301)	(26,753)
Basic and diluted net loss per share:	$ (0.83)	$ (3.30)	$ (0.85)	$ (1.17)

	Three Month Period Ended			
	March 31, 1997	June 30, 1997	September 30, 1997	December 31, 1997
Net operating revenue	$106,882	$ 113,812	$136,829	$164,094
Gross profit	21,988	22,833	35,794	45,335
Net loss	(22,498)	(27,914)	(31,172)	(17,580)
Basic and diluted net loss per share:	$ (0.67)	$ (0.87)	$ (1.09)	$ (0.84)

18. Segment Reporting

Our financial reporting segments are based on the way management organizes the company for making operating decisions and assessing performance. These segments are based on the different types of products we offer. The segments consist of the private line segment, the switched long distance segment, and the data/ Internet segment. The segments are separately evaluated because the products or services sold by each business unit are subject to different market forces and sales strategies. Management reviews the gross profits of each reporting segment and views the costs of the network and administrative functions as supporting all business segments. Therefore, assets (other than accounts receivable), liabilities, general and administrative expense, interest expense and income, and other expenses are not charged to any one segment. Losses from equity method subsidiaries are not charged to any one segment because those subsidiaries may have operations in multiple segments. All operating revenue shown is derived from sales to external customers. Revenue

related to the sale of options in fibers that are jointly owned with other carriers are not reported in any segment. The summarized segment data for 1998, 1997, and 1996 is as follows:

	Private Line	Switched Long Distance	Data & Internet	Unallocated	Total
1998					
Net operating revenue	$225,358	$414,405	$ 9,029	$19,776	$668,568
Cost of service	85,800	334,109	13,391	—	433,300
Gross profit	139,558	80,296	(4,362)	19,776	235,268
Operations and administration					144,536
Depreciation and amortization					113,586
Merger costs					7,955
Operating loss					(30,809)
Interest income					14,339
Interest expense					(31,683)
Equity (loss) from unconsolidated subsidiaries					(32,986)
Other, net					226
Loss before provision for income taxes, minority interest, and extraordinary loss					$(80,913)
Identifiable Assets:					
Accounts Receivable	$ 32,780	$ 72,269	$ 2,144	$ 365	$107,558
1997					
Net operating revenue	$161,570	$359,288	$ 759	$ —	$521,617
Cost of service	72,719	319,247	3,701	—	395,667
Gross profit	88,851	40,041	(2,942)	—	125,950
Operations and administration					102,760
Depreciation and amortization					69,139
Merger costs					3,591
Operating loss					(49,540)
Interest income					7,768
Interest expense					(31,702)
Equity (loss) from unconsolidated subsidiaries					(23,800)
Other, net					29
Loss before provision for income taxes, minority interest, and extraordinary loss					$(97,245)
Identifiable Assets:					
Accounts Receivable	$ 27,925	$ 82,830	$ —	$ 1,602	$112,357

	Private Line	Switched Long Distance	Data & Internet	Unallocated	Total
1996					
Net operating revenue	$ 99,793	$182,174	$ —	$ —	$281,967
Cost of service	60,129	134,752	—	—	194,881
Gross profit	39,664	47,422	—	—	87,086
Operations and administration					71,103
Depreciation and amortization					35,927
Merger costs					—
Operating loss					(19,944)
Interest income					10,242
Interest expense					(37,636)
Equity (loss) from unconsolidated subsidiaries					(1,961)
Other, net					(200)
Loss before provision for income taxes, minority interest, and extraordinary loss					$(49,499)

Significantly all of the Company's revenue is generated in the United States.

19. New Accounting Pronouncements

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income" ("SFAS No. 130"). SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. SFAS No. 130 is effective for fiscal years beginning after December 15, 1997. Since we had no items of other comprehensive income in any of the periods presented, there was no impact from the adoption of SFAS No. 130 on reporting or display of financial information.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). SFAS No. 133 establishes accounting and reporting standards requiring that derivative instruments be recorded in the balance sheet as either an asset or liability measured at its fair value. Because we have not entered into derivative financial instruments, the implementation of SFAS No. 133 will not have an impact on the results of operations or financial position.

In April 1998, the Accounting Standards Executive Committee issued Statement of Position ("SOP") 98-5, "Reporting on the costs of Start-Up Activities." The SOP requires costs of start-up activities and organization costs to be expensed as incurred, and is effective for our fiscal year ended December 31, 1999. This new standard will have no material impact on our financial position or results of operations.

In March 1998 the Accounting Standards Executive Committee issued SOP 98-1 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This standard provides guidance on accounting for certain costs incurred for software developed for internal use and will be effective for our fiscal year ended December 31, 1999. Upon adoption, January 1, 1999, this standard will not have a material impact on our financial position or results of operations.

20. Subsequent Events

In March 1999 we entered into an agreement with Westel whereby Westel agreed to transfer certain of its Progress share interest collateral to us as repayment of Westel's note payable to us. We gave Westel the right to repurchase such share interests no later than May 31, 1999.

In February 1999 Marca-Tel and its primary creditor agreed to allow Marca-Tel to defer certain payments to the creditor until June 1999. The creditor was given the right to acquire up to 10% of Marca-Tel, and the creditor acquired additional shares which diluted our indirect interest to 24%.

EXHIBIT C

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER

Dated as of July 20, 1999

By and Among

CINCINNATI BELL INC.,

IVORY MERGER INC.

And

IXC COMMUNICATIONS, INC.

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Exhibit F — Form of Amendment to IXC Rights Agreement

AGREEMENT AND PLAN OF MERGER (this "Agreement") dated as of July 20, 1999, among CINCINNATI BELL INC., an Ohio corporation ("CBI"), IVORY MERGER INC., a Delaware corporation and a wholly owned subsidiary of CBI ("Sub"), and IXC COMMUNICATIONS, INC., a Delaware corporation ("IXC").

WHEREAS the respective Boards of Directors of CBI, Sub and IXC have approved and declared advisable this Agreement and the merger of Sub with and into IXC (the "Merger"), upon the terms and subject to the conditions set forth in this Agreement, whereby (a) each issued and outstanding share of common stock, par value $.01 per share, of IXC (the "IXC Common Stock"), other than any such shares directly owned by CBI, Sub or IXC, will be converted into the right to receive the Common Stock Merger Consideration; (b) each issued and outstanding share of 7¼% Junior Convertible Preferred Stock Due 2007, par value $.01 per share, of IXC (the "IXC 7¼% Preferred Stock"), other than any such shares directly owned by CBI, Sub or IXC, will be converted into the right to receive the 7¼% Preferred Stock Merger Consideration; and (c) each issued and outstanding share of 6¾% Cumulative Convertible Preferred Stock, par value $.01 per share, of IXC (the "IXC 6¾% Preferred Stock"), other than any such shares directly owned by CBI, Sub or IXC, will be converted into the right to receive the 6¾% Preferred Stock Merger Consideration;

WHEREAS the respective Boards of Directors of CBI, Sub and IXC have each determined that the Merger and the other transactions contemplated hereby are consistent with, and in furtherance of, their respective business strategies and goals;

WHEREAS simultaneously with the execution and delivery of this Agreement and as a condition and inducement to the willingness of CBI and Sub to enter into this Agreement, CBI and certain principal stockholders of IXC (the "Principal Stockholders") are entering into certain stockholder and stock purchase agreements (collectively, the "Stockholders Agreements") pursuant to which the Principal Stockholders will agree to vote to adopt the Merger Agreement and to take certain other actions in furtherance of the Merger upon the terms and subject to the conditions set forth in the Stockholders Agreements;

WHEREAS immediately following the execution and delivery of this Agreement, CBI and IXC will enter into (a) a stock option agreement (the "IXC Stock Option

Agreement") pursuant to which IXC will grant CBI an option to purchase shares of IXC Common Stock, upon the terms and subject to the conditions set forth therein and (b) a stock option agreement (the "CBI Stock Option Agreement" and, together with the IXC Stock Option Agreement, the "Option Agreements") pursuant to which CBI will grant IXC an option to purchase shares of CBI Common Stock, upon the terms and subject to the conditions set forth therein;

WHEREAS concurrently with the execution and delivery of this Agreement, CBI, Oakhill Capital Partners, L.P. ("Oakhill") and OHCP Ocean I, LLC (together with Oakhill, the "Investors") will enter into an agreement (the "Investment Agreement") relating to the Investors' investment in CBI;

WHEREAS for U.S. Federal income tax purposes, it is intended that (a) the Merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and the rules and regulations promulgated thereunder, (b) this Agreement constitutes a plan of reorganization and (c) CBI, Sub and IXC will each be a party to such reorganization within the meaning of Section 368(b) of the Code; and

WHEREAS CBI, Sub and IXC desire to make certain representations, warranties, covenants and agreements in connection with the Merger and also to prescribe various conditions to the Merger.

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained in this Agreement, the parties hereto agree as follows:

ARTICLE I

The Merger

SECTION 1.01. The Merger. Upon the terms and subject to the conditions set forth in this Agreement, and in accordance with the Delaware General Corporation Law (the "DGCL"), Sub shall be merged with and into IXC at the Effective Time. Following the Effective Time, IXC shall be the surviving corporation (the "Surviving Corporation") and shall succeed to and assume all the rights and obligations of Sub in accordance with the DGCL.

SECTION 1.02. Closing. The closing of the Merger (the "Closing") will take place at 10:00 a.m. on a date to

be specified by the parties (the "Closing Date"), which shall be no later than the second Business Day after satisfaction or waiver of the conditions set forth in Article VI (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions), at the offices of Cravath, Swaine & Moore, Worldwide Plaza, 825 Eighth Avenue, New York, New York 10019, unless another time, date or place is agreed to by the parties hereto.

SECTION 1.03. Effective Time. Subject to the provisions of this Agreement, as soon as practicable on or after the Closing Date, the parties shall file a certificate of merger or other appropriate documents (in any such case, the "Certificate of Merger") executed in accordance with the relevant provisions of the DGCL and shall make all other filings or recordings required under the DGCL. The Merger shall become effective at such time as the Certificate of Merger is duly filed with the Delaware Secretary of State, or at such other time as CBI and IXC shall agree and specify in the Certificate of Merger (the time the Merger becomes effective being hereinafter referred to as the "Effective Time").

SECTION 1.04. Effects of the Merger. The Merger shall have the effects set forth in Section 259 of the DGCL.

SECTION 1.05. Certificate of Incorporation and By-laws. (a) The Restated Certificate of Incorporation of IXC, as in effect immediately prior to the Effective Time, shall be amended as of the Effective Time so that the first sentence of Article IV of such Restated Certificate of Incorporation reads in its entirety as follows: "The total number of shares of stock which the Corporation shall have authority to issue is 6,000,000 consisting of (i) three million (3,000,000) shares of common stock, par value $.01 per share and (ii) three million (3,000,000) shares of preferred stock, par value $.01 per share." and, as so amended, such Restated Certificate of Incorporation shall be the Certificate of Incorporation of the Surviving Corporation until thereafter changed or amended as provided therein or by applicable law.

(b) The By-laws of Sub, as in effect immediately prior to the Effective Time, shall be the By-laws of the Surviving Corporation until thereafter changed or amended as provided therein or by applicable law.

SECTION 1.06. Board of Directors of the Surviving Corporation. The directors of Sub immediately prior to the Effective Time shall be the directors of the Surviving

Corporation, until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

SECTION 1.07. Board of Directors of CBI. The Board of Directors of CBI shall be as set forth on or designated in accordance with Exhibit B hereto until the earlier of the resignation or removal of any individual set forth on or designated in accordance with Exhibit B hereto or until their respective successors are duly elected and qualified, as the case may be, it being agreed that if any director shall be unable or unwilling to serve as a director at the Effective Time the party which designated such individual as indicated in Exhibit B shall designate another individual to serve in such individual's place.

ARTICLE II

Effect of the Merger on the Capital Stock of the Constituent Corporations; Exchange of Certificates

SECTION 2.01. Effect on Capital Stock. As of the Effective Time, by virtue of the Merger and without any action on the part of the holder of any shares of capital stock of IXC or any shares of capital stock of Sub:

(a) Capital Stock of Sub. Each issued and outstanding share of capital stock of Sub shall be converted into and become one fully paid and nonassessable share of common stock, par value $.01 per share, of the Surviving Corporation.

(b) Cancelation of Treasury Stock and CBI-Owned Stock. Each share of IXC Common Stock, IXC 7¼% Preferred Stock and IXC 6¾% Preferred Stock that is directly owned by IXC, Sub or CBI shall automatically be canceled and shall cease to be outstanding, and no consideration shall be delivered in exchange therefor.

(c) Conversion of IXC Common Stock. Subject to Section 2.02(e), each issued and outstanding share (other than shares to be canceled in accordance with Section 2.01(b)) of IXC Common Stock shall be converted into the right to receive 2.0976 (the "Exchange Ratio") fully paid and nonassessable shares of common stock, par value $.01 per share, of CBI ("CBI Common Stock") (the "Common Stock Merger Consideration"). As of the Effective Time, all such shares of IXC Common Stock shall no longer be outstanding and shall automatically be canceled and shall cease to be outstanding, and each holder of a certificate that immediately prior to

the Effective Time represented any such shares of IXC Common Stock shall cease to have any rights with respect thereto, except the right to receive the Common Stock Merger Consideration and any cash in lieu of fractional shares of CBI Common Stock to be issued or paid in consideration therefor upon surrender of such certificate in accordance with Section 2.02, without interest.

(d) Conversion of IXC 7¼% Preferred Stock and IXC 6¾% Preferred Stock. (i) Each issued and outstanding share of IXC 7¼% Preferred Stock shall be converted into the right to receive one fully paid and nonassessable share of 7¼% Junior Convertible Preferred Stock Due 2007, par value $.01 per share, of CBI (the "CBI 7¼% Preferred Stock") (the "7¼% Preferred Stock Merger Consideration"), which CBI 7¼% Preferred Stock shall have terms that are identical to the IXC 7¼% Preferred Stock except that (x) the issuer thereof shall be CBI rather than IXC, (y) the CBI 7¼% Preferred Stock shall become convertible into CBI Common Stock as required by Paragraph (g) of the Certificate of Designation for the IXC 7¼% Preferred Stock and (z) each share of CBI 7¼% Preferred Stock shall be entitled to one vote per share on all matters voting together with the CBI Common Stock as a single class; provided that the number of authorized shares of CBI 7¼% Preferred Stock may be increased or decreased without any additional vote of the holders of CBI 7¼% Preferred Stock voting as a separate class. As of the Effective Time, all such shares of IXC 7¼% Preferred Stock shall no longer be outstanding and shall automatically be canceled and shall cease to exist, and each holder of a certificate that immediately prior to the Effective Time represented any such shares shall cease to have any rights with respect thereto, except the right to receive the 7¼% Preferred Stock Merger Consideration.

(ii) Each issued and outstanding share of IXC 6¾% Preferred Stock shall be converted into the right to receive one fully paid and nonassessable share of 6¾% Cumulative Convertible Preferred Stock, par value $.01 per share, of CBI (the "CBI 6¾% Preferred Stock") (the "6¾% Preferred Stock Merger Consideration"), which CBI 6¾% Preferred Stock shall have terms that are identical to the IXC 6¾% Preferred Stock except that (x) the issuer thereof shall be CBI rather than IXC, (y) the CBI 6¾% Preferred Stock shall become convertible into CBI Common Stock as required by Paragraph 7 of the Certificate of Designations for the IXC 6¾% Preferred Stock and (z) each share of CBI 6¾% Preferred Stock shall be entitled to one vote per share on all matters voting together with the CBI Common Stock as a single class; provided that the number of authorized shares of CBI 6¾% Preferred Stock may be increased or decreased without any

additional vote of the holders of CBI 6¾% Preferred Stock voting as a separate class. As of the Effective Time, all such shares of IXC 6¾% Preferred Stock shall no longer be outstanding and shall automatically be canceled and shall cease to exist, and each holder of a certificate that immediately prior to the Effective Time represented any such shares shall cease to have any rights with respect thereto, except the right to receive the 6¾% Preferred Stock Merger Consideration. The Common Stock Merger Consideration, the 7¼% Preferred Stock Merger Consideration and the 6¾% Preferred Stock Merger Consideration shall be referred to collectively in this Agreement as the "Merger Consideration".

(e) Effect on IXC 12½% Preferred Stock. Each share of 12½% Junior Exchangeable Preferred Stock Due 2009, par value $.01 per share, of IXC (the "IXC 12½% Preferred Stock") outstanding immediately prior to the Effective Time shall remain outstanding as 12½% Preferred Stock of the Surviving Corporation, without any change to the powers, preferences or special rights of such IXC 12½% Preferred Stock provided for in the Certificate of Designation for the 12½% Junior Exchangeable Preferred Stock Due 2009 of IXC (the "IXC 12½% Certificate of Designation").

(f) Anti-Dilution Provisions. In the event CBI changes (or establishes a record date for changing) the number of shares of CBI Common Stock issued and outstanding prior to the Effective Time as a result of a stock split, stock dividend, recapitalization, subdivision, reclassification, combination, exchange of shares or similar transaction with respect to the outstanding CBI Common Stock and the record date therefor shall be prior to the Effective Time, the Exchange Ratio shall be proportionately adjusted to reflect such stock split, stock dividend, recapitalization, subdivision, reclassification, combination, exchange of shares or similar transaction.

SECTION 2.02. Exchange of Certificates.

(a) Exchange Agent. Prior to the Effective Time, CBI shall enter into an agreement with The Fifth Third Bank or such other bank or trust company as may be designated by CBI and reasonably acceptable to IXC (the "Exchange Agent"), which shall provide that CBI shall deposit with the Exchange Agent as of the Effective Time, for the benefit of the holders of shares of IXC Common Stock, IXC 7¼% Preferred Stock and IXC 6¾% Preferred Stock, for exchange in accordance with this Article II, through the Exchange Agent, certificates representing the Merger Consideration issuable pursuant to Section 2.01 in exchange for outstanding shares of IXC Common Stock, IXC 7¼% Preferred Stock and IXC 6¾% Preferred

Stock, respectively. CBI shall make available to the Exchange Agent from time to time as required after the Effective Time cash necessary to pay dividends and other distributions in accordance with Section 2.02(c) and to make payments in lieu of any fractional shares of CBI Common Stock in accordance with Section 2.02(e).

(b) Exchange Procedures. As soon as reasonably practicable after the Effective Time, the Exchange Agent shall mail to each holder of record of a certificate or certificates (the "Certificates") which immediately prior to the Effective Time represented outstanding shares of IXC Common Stock, IXC 7¼% Preferred Stock or IXC 6¾% Preferred Stock whose shares were converted into the right to receive the Merger Consideration pursuant to Section 2.01, (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent and shall be in such form and have such other provisions as CBI may reasonably specify) and (ii) instructions for use in surrendering the Certificates in exchange for certificates representing the Merger Consideration. Upon surrender of a Certificate for cancelation to the Exchange Agent, together with such letter of transmittal, duly executed, and such other documents as may reasonably be required by the Exchange Agent, the holder of such Certificate shall be entitled to receive in exchange therefor a certificate representing that number of whole shares of CBI Common Stock, CBI 7¼% Preferred Stock or CBI 6¾% Preferred Stock that such holder has the right to receive pursuant to the provisions of this Article II, certain dividends or other distributions in accordance with Section 2.02(c) and cash in lieu of any fractional share of CBI Common Stock in accordance with Section 2.02(e), and the Certificate so surrendered shall forthwith be canceled. In the event of a transfer of ownership of IXC Common Stock, IXC 7¼% Preferred Stock or IXC 6¾% Preferred Stock that is not registered in the transfer records of IXC, a certificate representing the proper number of shares of CBI Common Stock, CBI 7¼% Preferred Stock or CBI 6¾% Preferred Stock, as applicable, may be issued to a person other than the person in whose name the Certificate so surrendered is registered if such Certificate shall be properly endorsed or otherwise be in proper form for transfer and the person requesting such issuance shall pay any transfer or other taxes required by reason of the issuance of shares of CBI Common Stock, CBI 7¼% Preferred Stock or CBI 6¾% Preferred Stock to a person other than the registered holder of such Certificate or establish to the satisfaction of CBI that such tax has been paid or is not applicable. Until surrendered as contemplated by this Section 2.02(b), each

Certificate shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the Merger Consideration that the holder thereof has the right to receive pursuant to the provisions of this Article II, certain dividends or other distributions in accordance with Section 2.02(c) and cash in lieu of any fractional share of CBI Common Stock in accordance with Section 2.02(e). No interest shall be paid or will accrue on any cash payable to holders of Certificates pursuant to the provisions of this Article II.

(c) Distributions with Respect to Unsurrendered Certificates. Any dividends or other distributions with respect to CBI Common Stock, CBI 7¼% Preferred Stock or CBI 6¾% Preferred Stock with a record date after the Effective Time shall be paid to the holder of any unsurrendered Certificate with respect to the shares of CBI Common Stock, CBI 7¼% Preferred Stock or CBI 6¾% Preferred Stock represented thereby, and any cash payment in lieu of fractional shares of CBI Common Stock shall be paid to any such holder pursuant to Section 2.02(e) only upon the surrender of such Certificate by the holder of record of such Certificate in accordance with this Article II. Subject to the effect of applicable escheat or similar laws, following surrender of any such Certificate there shall be paid to the holder of the certificate representing whole shares of CBI Common Stock, CBI 7¼% Preferred Stock or CBI 6¾% Preferred Stock issued in exchange therefor, without interest, (i) at the time of such surrender, the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to such whole shares of CBI Common Stock, CBI 7¼% Preferred Stock or CBI 6¾% Preferred Stock, and the amount of any cash payable in lieu of a fractional share of CBI Common Stock to which such holder is entitled pursuant to Section 2.02(e) and (ii) at the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time but prior to such surrender and with a payment date subsequent to such surrender payable with respect to such whole shares of CBI Common Stock, CBI 7¼% Preferred Stock or CBI 6¾% Preferred Stock.

(d) No Further Ownership Rights in IXC Common Stock, IXC 7¼% Preferred Stock or IXC 6¾% Preferred Stock. All shares of CBI Common Stock, CBI 7¼% Preferred Stock or CBI 6¾% Preferred Stock issued upon the surrender for exchange of Certificates in accordance with the terms of this Article II (including any cash paid pursuant to this Article II) shall be deemed to have been issued (and paid) in full satisfaction of all rights pertaining to the shares of IXC Common Stock, IXC 7¼% Preferred Stock or IXC 6¾%

Preferred Stock previously represented by such Certificates, subject, however, to the Surviving Corporation's obligation to pay any dividends or make any other distributions with a record date prior to the Effective Time which may have been declared or made by IXC on such shares of IXC Common Stock, IXC 7¼% Preferred Stock or IXC 6¾% Preferred Stock which remain unpaid at the Effective Time, and there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the shares of IXC Common Stock, IXC 7¼% Preferred Stock or IXC 6¾% Preferred Stock which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation or the Exchange Agent for any reason, they shall be canceled and exchanged as provided in this Article II.

(e) No Fractional Shares. (i) No certificates or scrip representing fractional shares of CBI Common Stock shall be issued upon the surrender for exchange of Certificates formerly representing IXC Common Stock, no dividend or distribution of CBI shall relate to such fractional share interests and such fractional share interests will not entitle the owner thereof to vote or to exercise any rights of a shareholder of CBI.

(ii) As promptly as practicable following the Effective Time, the Exchange Agent shall determine the excess of (A) the number of whole shares of CBI Common Stock delivered to the Exchange Agent by CBI pursuant to Section 2.02(a) over (B) the aggregate number of whole shares of CBI Common Stock to be distributed to former holders of IXC Common Stock pursuant to Section 2.02(b) (such excess being herein called the "Excess Shares"). Following the Effective Time, the Exchange Agent shall, on behalf of former stockholders of IXC, sell the Excess Shares at then-prevailing prices on the New York Stock Exchange, Inc. (the "NYSE"), all in the manner provided in Section 2.02(e)(iii).

(iii) The sale of the Excess Shares by the Exchange Agent shall be executed on the NYSE through one or more member firms of the NYSE and shall be executed in round lots to the extent practicable. The Exchange Agent shall use reasonable efforts to complete the sale of the Excess Shares as promptly following the Effective Time as, in the Exchange Agent's sole judgment, is practicable consistent with obtaining the best execution of such sales in light of prevailing market conditions. Until the net proceeds of such sale or sales have been distributed to the holders of Certificates formerly representing IXC Common Stock, the Exchange Agent shall hold such proceeds in trust for such

holders (the "Common Shares Trust"). IXC shall pay all commissions, transfer taxes and other out-of-pocket transaction costs, including the expenses and compensation of the Exchange Agent, incurred in connection with such sale of the Excess Shares. The Exchange Agent shall determine the portion of the Common Shares Trust to which each former holder of IXC Common Stock is entitled, if any, by multiplying the amount of the aggregate net proceeds comprising the Common Shares Trust by a fraction, the numerator of which is the amount of the fractional share interest to which such former holder of IXC Common Stock is entitled (after taking into account all shares of IXC Common Stock held at the Effective Time by such holder) and the denominator of which is the aggregate amount of fractional share interests to which all former holders of IXC Common Stock are entitled.

(iv) Notwithstanding the provisions of Sections 2.02(e)(ii) and (iii), CBI may elect at its option, exercised prior to the Effective Time, in lieu of the issuance and sale of Excess Shares and the making of the payments hereinabove contemplated, to pay each former holder of IXC Common Stock an amount in cash equal to the product obtained by multiplying (A) the fractional share interest to which such former holder (after taking into account all shares of IXC Common Stock held at the Effective Time by such holder) would otherwise be entitled by (B) the closing price for a share of CBI Common Stock as reported on the NYSE (as reported in The Wall Street Journal or, if not reported thereby, any other authoritative source) on the Closing Date, and, in such case, all references herein to the cash proceeds of the sale of the Excess Shares and similar references shall be deemed to mean and refer to the payments calculated as set forth in this Section 2.02(e)(iv).

(v) As soon as practicable after the determination of the amount of cash, if any, to be paid to holders of Certificates formerly representing IXC Common Stock with respect to any fractional share interests, the Exchange Agent shall make available such amounts to such holders of Certificates formerly representing IXC Common Stock subject to and in accordance with the terms of Section 2.02(c).

(f) Termination of Exchange Fund. Any portion of the Exchange Fund that remains undistributed to the holders of the Certificates for six months after the Effective Time shall be delivered to CBI, upon demand, and any holders of the Certificates who have not theretofore complied with this Article II shall thereafter look only to CBI for payment of their claim for the Merger Consideration, any dividends or

distributions with respect to CBI Common Stock and any cash in lieu of fractional shares of CBI Common Stock.

(g) No Liability. None of CBI, Sub, IXC or the Exchange Agent shall be liable to any person in respect of any Merger Consideration, any dividends or distributions with respect thereto, or any cash in lieu of fractional shares of CBI Common Stock, in each case delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. If any Certificate shall not have been surrendered prior to three years after the Effective Time (or immediately prior to such earlier date on which any Merger Consideration, any dividends or distributions payable to the holder of such Certificate or any cash payable in lieu of fractional shares of CBI Common Stock pursuant to this Article II, would otherwise escheat to or become the property of any Governmental Entity), any such Merger Consideration, dividends or distributions in respect thereof or such cash shall, to the extent permitted by applicable law, become the property of the Surviving Corporation, free and clear of all claims or interest of any person previously entitled thereto.

(h) Investment of Exchange Fund. The Exchange Agent shall invest any cash included in the Exchange Fund in investment-grade securities, as directed by CBI, on a daily basis. Any interest and other income resulting from such investments shall be paid to CBI.

(i) Lost Certificates. If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such Certificate to be lost, stolen or destroyed and, if required by CBI, the posting by such person of a bond in such reasonable amount as CBI may direct as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent shall issue in exchange for such lost, stolen or destroyed Certificate the Merger Consideration and any unpaid dividends and distributions in respect thereof and any cash in lieu of fractional shares of CBI Common Stock, in each case pursuant to this Agreement.

ARTICLE III

Representations and Warranties

SECTION 3.01. Representations and Warranties of IXC. Except (i) with respect to matters expressly permitted by Section 4.01(a), (ii) as expressly disclosed in IXC SEC Documents filed and publicly available prior to the date of

this Agreement (the "IXC Filed SEC Documents") or (iii) as expressly set forth on the disclosure schedule delivered by IXC to CBI prior to the execution of this Agreement (the "IXC Disclosure Schedule"), IXC represents and warrants to CBI and Sub as follows:

(a) Organization, Standing and Corporate Power. Each of IXC and its Subsidiaries is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is organized and has the requisite corporate or other power and authority, as the case may be, to carry on its business as now being conducted. Each of IXC and its Subsidiaries is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership, leasing or operation of its properties makes such qualification or licensing necessary, except for those jurisdictions in which the failure to be so qualified or licensed or to be in good standing individually or in the aggregate is not reasonably likely to have a Material Adverse Effect on IXC. IXC has made available to CBI prior to the execution of this Agreement complete and correct copies of its Restated Certificate of Incorporation and By-laws, as amended to the date of this Agreement, and the comparable charter and organizational documents of each Subsidiary of IXC, in each case as amended to the date of this Agreement.

(b) Subsidiaries. Section 3.01(b) of the IXC Disclosure Schedule sets forth a true and complete list of each of IXC's Subsidiaries as of the date hereof. All the outstanding shares of capital stock of, or other equity interests in, each Subsidiary of IXC have been validly issued and are fully paid and nonassessable and are owned directly or indirectly by IXC, free and clear of all pledges, claims, liens, charges, encumbrances and security interests of any kind or nature whatsoever (collectively, "Liens") and free of any restriction on the right to vote, sell or otherwise dispose of such capital stock or other ownership interests. Except for the capital stock or other ownership interests of its Subsidiaries, as of the date hereof, IXC does not beneficially own directly or indirectly any material capital stock, membership interest, partnership interest, joint venture interest or other material equity interest in any person.

(c) Capital Structure. The authorized capital stock of IXC consists of 320,000,000 shares of capital stock consisting of: (1) 300,000,000 shares of IXC Common Stock, (2) 3,000,000 shares of preferred stock, par value $.01 per share (the "IXC Ordinary Preferred Stock"), and

(3) 17,000,000 shares of Class B preferred stock, par value $.01 per share (the "IXC Class B Preferred Stock" and, together with the IXC Ordinary Preferred Stock, the "IXC Preferred Stock"), of which (A) 1,400,000 shares have been designated as the IXC 7¼% Preferred Stock, (B) 450,000 shares have been designated as the IXC 12½% Preferred Stock, (C) 450,000 shares have been designated as 12½% Series B Junior Exchangeable Preferred Stock Due 2009 (the "IXC 12½% Series B Preferred Stock"), (D) 55,000 shares have been designated as Series A Junior Participating Preferred Stock (the "IXC Series A Preferred Stock") and (E) 155,250 shares have been designated as the IXC 6¾% Preferred Stock. At the close of business on July 20, 1999, (i) 37,393,939 shares of IXC Common Stock were issued and outstanding; (ii) 71,400 shares of IXC Common Stock were held by IXC in its treasury; (iii) 1,074,496 shares of IXC 7¼% Preferred Stock were issued and outstanding; (iv) 371,618 shares of IXC 12½% Preferred Stock were issued and outstanding; (v) no shares of IXC 12½% Series B Preferred Stock were issued and outstanding; (vi) 55,000 shares of IXC Series A Preferred Stock were reserved for issuance in connection with the rights (the "IXC Rights") to purchase shares of IXC Series A Preferred Stock issued pursuant to the Rights Agreement dated as of September 9, 1998 (the "IXC Rights Agreement"), between IXC and U.S. Stock Transfer Corporation, as rights agent; (vii) 155,250 shares of IXC 6¾% Preferred Stock were issued and outstanding; (viii) no other shares of IXC Preferred Stock were issued and outstanding; (ix) 75,000 shares of IXC Common Stock were reserved for issuance pursuant to 75,000 warrants issued and outstanding to purchase IXC Common Stock (the "IXC Warrants"); (x) 8,664,850 shares of IXC Common Stock were reserved for issuance pursuant to the Amended and Restated 1994 Stock Plan of IXC, as amended, the Special Stock Plan of IXC, the IXC 1998 Stock Plan, as amended, the IXC 1997 Special Executive Stock Plan and grants of options made to individual employees (such plans and arrangements, collectively, the "IXC Stock Plans") (of which 8,066,527 shares of IXC Common Stock are subject to outstanding IXC Stock Options); and (xi) 8,602,577 shares of IXC Common Stock were reserved for issuance upon conversion of (A) the IXC 7¼% Preferred Stock and (B) the IXC 6¾% Preferred Stock. There are no outstanding stock appreciation rights or other rights (other than the IXC Stock Options and IXC Warrants) to receive shares of IXC Common Stock on a deferred basis granted under the IXC Stock Plans or otherwise. Section 3.01(c)(i) of the IXC Disclosure Schedule sets forth a complete and correct list, as of July 20, 1999, of (i) the name of each holder of outstanding stock options or other rights to purchase or to receive IXC Common Stock granted under the IXC Stock Plans (collectively, "IXC Stock

Options"), (ii) the number of shares of IXC Common Stock subject to each such IXC Stock Option, (iii) the exercise prices thereof and (iv) the name of the IXC Stock Plan pursuant to which such IXC Stock Options were granted. Section 3.01(c)(ii) of the IXC Disclosure Schedule sets forth a complete and correct list, as of July 20, 1999, of (i) the name of each holder of outstanding IXC Warrants, (ii) the number of shares of IXC Common Stock subject to each such IXC Warrant and (iii) the exercise prices thereof. No bonds, debentures, notes or other indebtedness of IXC having the right to vote (or convertible into or exchangeable or exercisable for securities having the right to vote) on any matters on which stockholders of IXC or any of its Subsidiaries may vote are issued or outstanding or subject to issuance. All outstanding shares of capital stock of IXC are, and all shares which may be issued will be, when issued, duly authorized, validly issued, fully paid and nonassessable and will be delivered free and clear of all Liens (other than Liens created by or imposed upon the holders thereof) and not subject to preemptive rights. Except as set forth in this Section 3.01(c) (including pursuant to the conversion or exercise of the securities referred to above), (x) there are not issued, reserved for issuance or outstanding (A) any shares of capital stock or other voting securities of IXC or any of its Subsidiaries (other than shares of capital stock or other voting securities of such Subsidiaries that are directly or indirectly owned by IXC), (B) any securities of IXC or any of its Subsidiaries convertible into or exchangeable or exercisable for shares of capital stock or other voting securities of, or other ownership interests in, IXC or any of its Subsidiaries or (C) any warrants, calls, options or other rights to acquire from IXC or any of its Subsidiaries, and no obligation of IXC or any of its Subsidiaries to issue, any capital stock or other voting securities of, or other ownership interests in, or any securities convertible into or exchangeable or exercisable for any capital stock or other voting securities of, or other ownership interests in, IXC or any of its Subsidiaries, (y) there are not any outstanding obligations of IXC or any of its Subsidiaries to repurchase, redeem or otherwise acquire any such securities or to issue, deliver or sell, or cause to be issued, delivered or sold, any such securities and (z) IXC is not a party to any voting agreement with respect to the voting of any such securities.

(d) Authority; Noncontravention. IXC has the requisite corporate power and corporate authority to enter into this Agreement and, subject to receipt of IXC Stockholder Approval, to consummate the transactions contemplated by this Agreement. IXC has the requisite

corporate power and corporate authority to enter into the Option Agreements and to consummate the transactions contemplated thereby. The execution and delivery of this Agreement and the Option Agreements by IXC and the consummation by IXC of the transactions contemplated by this Agreement and the Option Agreements have been duly authorized by all necessary corporate action on the part of IXC, subject, in the case of the Merger, to receipt of IXC Stockholder Approval. This Agreement and the Option Agreements have been duly executed and delivered by IXC and, assuming the due authorization, execution and delivery by each of the other parties hereto and thereto, constitute the legal, valid and binding obligations of IXC, enforceable against IXC in accordance with their terms. The execution and delivery of this Agreement and the Option Agreements do not, and the consummation of the transactions contemplated by this Agreement and the Option Agreements and compliance with the provisions hereof and thereof will not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancelation or acceleration of any obligation or loss of a benefit under, or result in the creation of any Lien upon any of the properties or assets of IXC or any of its Subsidiaries under, (i) the Restated Certificate of Incorporation or By-laws of IXC or the comparable organizational documents of any of its Subsidiaries, (ii) any loan or credit agreement, note, bond, mortgage, indenture, lease or other agreement, instrument, permit, concession, franchise, license or similar authorization applicable to IXC or any of its Subsidiaries or their respective properties or assets or (iii) subject to the governmental filings and other matters referred to in the following sentence, any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to IXC or any of its Subsidiaries or their respective properties or assets, other than, in the case of clauses (ii) and (iii), any such conflicts, violations, defaults, rights, losses or Liens that individually or in the aggregate are not reasonably likely to (x) have a Material Adverse Effect on IXC, (y) impair the ability of IXC to perform its obligations under this Agreement or any of the Option Agreements or (z) prevent or materially delay the consummation of the transactions contemplated by this Agreement or any of the Option Agreements. No consent, approval, order or authorization of, action by or in respect of, or registration, declaration or filing with, any Federal, state, local or foreign government, any court, administrative, regulatory or other governmental agency, commission or authority or any nongovernmental self-regulatory agency, commission or authority (each a "Governmental Entity") is required by or with respect to IXC

or any of its Subsidiaries in connection with the execution and delivery of this Agreement or any of the Option Agreements by IXC or the consummation by IXC of the Merger or the other transactions contemplated by this Agreement or any of the Option Agreements, except for (1) the filing of a premerger notification and report form by IXC under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), and any applicable filings and approvals under similar foreign antitrust or competition laws and regulations; (2) the filing with the Securities and Exchange Commission (the "SEC") of (A) a joint proxy statement relating to the IXC Stockholders Meeting and the CBI Shareholders Meeting (such proxy statement, as amended or supplemented from time to time, the "Joint Proxy Statement"), and (B) such reports under Section 13(a), 13(d), 15(d) or 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as may be required in connection with this Agreement, the Stockholders Agreements, the Option Agreements and the transactions contemplated by this Agreement, the Stockholders Agreements or any of the Option Agreements; (3) the filing of the Certificate of Merger with the Delaware Secretary of State and appropriate documents with the relevant authorities of other states in which IXC is qualified to do business and such filings with Governmental Entities to satisfy the applicable requirements of state securities or "blue sky" laws; (4) filings with and approvals of the Federal Communications Commission (the "FCC") as required under the Communications Act of 1934, as amended (the "Communications Act"), and the rules and regulations promulgated thereunder; (5) such filings with and approvals of The Nasdaq National Market ("Nasdaq") to permit the shares of IXC Common Stock that are to be issued pursuant to the IXC Stock Option Agreement to be quoted on Nasdaq; (6) filings with and approvals of any state public utility commissions ("PUCs"), foreign telecommunications regulatory agencies or similar regulatory bodies as required by applicable statutes, laws, rules, ordinances and regulations; and (7) such other consents, approvals, orders or authorizations the failure of which to be made or obtained individually or in the aggregate is not reasonably likely to (x) have a Material Adverse Effect on IXC, (y) impair the ability of IXC to perform its obligations under this Agreement or any of the Option Agreements or (z) prevent or materially delay the consummation of the transactions contemplated by this Agreement or any of the Option Agreements.

(e) SEC Documents; Undisclosed Liabilities. IXC has filed all required reports, schedules, forms, statements and other documents (including exhibits and all other information incorporated therein) with the SEC since

January 1, 1998 (collectively, the "IXC SEC Documents"). As of their respective dates, the IXC SEC Documents complied in all material respects with the requirements of the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to such IXC SEC Documents, and none of the IXC SEC Documents when filed contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Except to the extent that information contained in any IXC SEC Document has been revised or superseded by a later filed IXC SEC Document, none of the IXC SEC Documents contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of IXC included in the IXC SEC Documents comply as to form, as of their respective dates of filing with the SEC, in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto (the "Accounting Rules"), have been prepared in accordance with generally accepted accounting principles ("GAAP") (except, in the case of unaudited statements, as permitted by Form 10-Q of the SEC) applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and fairly present in all material respects the consolidated financial position of IXC and its consolidated Subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal recurring year-end audit adjustments and the absence of footnotes, if applicable). Except (i) as reflected in the IXC Filed SEC Documents, (ii) for liabilities incurred in connection with this Agreement or any of the Option Agreements or the transactions contemplated by this Agreement or any of the Option Agreements or (iii) incurred since March 31, 1999, in the ordinary course of business consistent with past practice, neither IXC nor any of its Subsidiaries has any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) which individually or in the aggregate are reasonably likely to have a Material Adverse Effect on IXC.

(f) Information Supplied. None of the information supplied or to be supplied by IXC specifically for inclusion or incorporation by reference in (i) the registration statement on Form S-4 to be filed with the SEC by CBI

in connection with the issuance of CBI Common Stock in the Merger (the "Form S-4") will, at the time the Form S-4 becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading or (ii) the Joint Proxy Statement will, at the date it is first mailed to IXC's stockholders and CBI's shareholders or at the time of the IXC Stockholders Meeting or the CBI Shareholders Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The Joint Proxy Statement will comply as to form in all material respects with the requirements of the Exchange Act and the rules and regulations promulgated thereunder. No representation or warranty is made by IXC with respect to statements made or incorporated by reference in the Joint Proxy Statement based on information supplied by CBI or Sub specifically for inclusion or incorporation by reference in the Joint Proxy Statement.

(g) Absence of Certain Changes or Events. Except for liabilities incurred in connection with or expressly permitted by this Agreement and the Option Agreements and except as disclosed in the IXC Filed SEC Documents, since March 31, 1999, IXC and its Subsidiaries have conducted their business only in the ordinary course consistent with past practice, and since such date there has not been (1) any Material Adverse Change in IXC, (2) any declaration, setting aside or payment of any dividend or other distribution (whether in cash, stock or property) with respect to any of IXC's capital stock, except for dividends or other distributions declared, set aside or paid by IXC as required by and in accordance with the respective terms of such capital stock as of the date hereof, (3) any split, combination or reclassification of any of IXC's capital stock or any issuance or the authorization of any issuance of any other securities in respect of, in lieu of or in substitution for shares of IXC's capital stock, (4) (A) any granting by IXC or any of its Subsidiaries to any current or former director, executive officer or other employee of IXC or its Subsidiaries of any increase in compensation, bonus or other benefits, except for normal increases in cash compensation in the ordinary course of business consistent with past practice or as was required under any employment agreements in effect as of the date of the most recent audited financial statements included in the IXC Filed SEC Documents, (B) any granting by IXC or any of its Subsidiaries to any such current or former director, executive officer or employee of any increase in severance

or termination pay, (C) any entry by IXC or any of its Subsidiaries into, or any amendments of, any employment, deferred compensation, consulting, severance, termination or indemnification agreement with any such current or former director, executive officer or employee or (D) any amendment to, or modification of, any IXC Stock Option or IXC Warrant, (5) any damage, destruction or loss, whether or not covered by insurance, that individually or in the aggregate is reasonably likely to have a Material Adverse Effect on IXC, (6) except insofar as may have been required by a change in GAAP, any change in accounting methods, principles or practices by IXC or any of its Subsidiaries materially affecting the consolidated financial position or results of operations of IXC or (7) any tax election or any settlement or compromise of any income tax liability that individually or in the aggregate is reasonably likely to adversely affect the tax liability or tax attributes of IXC or any of its Subsidiaries in any material respect or any settlement or compromise of any material income tax liability.

(h) Litigation. There is no suit, action, proceeding, claim, grievance or investigation pending or, to the Knowledge of IXC or any of its Subsidiaries, threatened against or affecting IXC or any of its Subsidiaries that individually or in the aggregate is reasonably likely to have a Material Adverse Effect on IXC nor is there any judgment, decree, injunction, rule or order of any Governmental Entity or arbitrator outstanding against IXC or any of its Subsidiaries having, or that individually or in the aggregate is reasonably likely to have a Material Adverse Effect on IXC. There are no facts, circumstances or conditions that are reasonably likely to give rise to any liability of, or form the basis of a claim against, IXC or any of its Subsidiaries under any applicable statutes, laws, ordinances, rules or regulations, which liability or claim is reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on IXC.

(i) Compliance with Applicable Laws. IXC and its Subsidiaries hold all material permits, licenses, variances, exemptions, orders, registrations and approvals of all Governmental Entities (the "IXC Permits") which are required for them to own, lease or operate their assets and to carry on their businesses. IXC and its Subsidiaries are in compliance in all material respects with the terms of the IXC Permits and all applicable statutes, laws, ordinances, rules and regulations. No action, demand, requirement or investigation by any Governmental Entity and no suit, action or proceeding by any person, in each case with respect to IXC or any of its Subsidiaries or any of their respective properties, which is reasonably likely to have, individually

or in the aggregate, a Material Adverse Effect on IXC, is pending or, to the Knowledge of IXC, threatened. As of the date hereof, Section 3.01(i) of the IXC Disclosure Schedule sets forth a true and complete list of all IXC Permits obtained from the FCC and any state PUC.

(j) Contracts. Neither IXC nor any of its Subsidiaries is in violation of or in default under (nor does there exist any condition which upon the passage of time or the giving of notice or both would cause such a violation of or default under) any loan or credit agreement, bond, note, mortgage, indenture, lease or other contract, agreement, obligation, commitment, arrangement, understanding, instrument, permit or license to which it is a party or by which it or any of its properties or assets is bound, except for violations or defaults that individually or in the aggregate are not reasonably likely to have a Material Adverse Effect on IXC. Since December 31, 1998, through the date hereof, neither IXC nor any of its Subsidiaries has entered into any contract, agreement, obligation, commitment, arrangement or understanding with any Affiliate of IXC that would have been required to be filed as an exhibit to IXC's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 (the "IXC 1998 10-K") had IXC been a party thereto as of December 31, 1998. Neither IXC nor any of its Subsidiaries is a party to or bound by any noncompetition agreement or any other similar agreement or obligation which purports to limit in any material respect the manner in which, or the localities in which, all or any material portion of the business of IXC and its Subsidiaries, taken as a whole, is conducted.

(k) Absence of Changes in Benefit Plans. Since the date of the most recent audited financial statements included in the IXC Filed SEC Documents, there has not been (i) any adoption or amendment by IXC or any of its Subsidiaries of any employment agreement with any director, officer or employee of IXC or any of its Subsidiaries or of any collective bargaining agreement or (ii) any adoption or amendment of any bonus, pension, profit sharing, deferred compensation, incentive compensation, stock ownership, stock purchase, stock option, phantom stock, retirement, vacation, severance, disability, death benefit, hospitalization, medical, welfare benefit or other plan, arrangement or understanding providing compensation or benefits to any current or former director, officer or employee of IXC or any of its Subsidiaries (collectively, the "IXC Benefit Plans"), or any change in any actuarial or other assumption used to calculate funding obligations with respect to any IXC pension plans, or any change in the manner in which contributions to any IXC pension plans are made or the basis

on which such contributions are determined which are reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on IXC.

(l) ERISA Compliance. (i) With respect to IXC Benefit Plans, no liability has been incurred and, to the Knowledge of IXC, there exists no condition or circumstances in connection with which IXC or any of its Subsidiaries could be subject to any liability that individually or in the aggregate is reasonably likely to have a Material Adverse Effect on IXC under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the Code or any other applicable law.

(ii) Each IXC Benefit Plan has been administered in accordance with its terms, except for any failures so to administer any IXC Benefit Plan that individually or in the aggregate are not reasonably likely to have a Material Adverse Effect on IXC. IXC, its Subsidiaries and all IXC Benefit Plans are in compliance with the applicable provisions of ERISA, the Code and all other applicable laws and the terms of all applicable collective bargaining agreements, except for any failures to be in such compliance that individually or in the aggregate are not reasonably likely to have a Material Adverse Effect on IXC.

(iii) None of IXC or any of its Subsidiaries sponsors or contributes to any IXC Benefit Plan that is subject to Title IV of ERISA.

(iv) IXC and its Subsidiaries are in compliance with all Federal, state, local and foreign requirements regarding employment, except for any failures to comply that individually or in the aggregate are not reasonably likely to have a Material Adverse Effect on IXC. Neither IXC nor any of its Subsidiaries is a party to any collective bargaining or other labor union contract applicable to persons employed by IXC or any of its Subsidiaries in the United States and as of the date of this Agreement no such collective bargaining agreement is being negotiated by IXC or any of its Subsidiaries. As of the date of this Agreement, there is no labor dispute, strike or work stoppage against IXC or any of its Subsidiaries pending or, to the Knowledge of IXC, threatened which may interfere with the respective business activities of IXC or any of its Subsidiaries, except where such dispute, strike or work stoppage individually or in the aggregate is not reasonably likely to have a Material Adverse Effect on IXC. As of the date of this Agreement, to the Knowledge of IXC, none of IXC, any of its Subsidiaries or any of their respective representatives or employees has committed any unfair labor

practice in connection with the operation of the respective businesses of IXC or any of its Subsidiaries, and there is no action, charge or complaint against IXC or any of its Subsidiaries by the National Labor Relations Board or any comparable governmental agency pending or threatened in writing, in each case except where such practices, actions, charges or complaints, individually or in the aggregate, are not reasonably likely to have a Material Adverse Effect on IXC.

(v) (A) No employee of IXC or its Subsidiaries will be entitled to any additional benefits or any acceleration of the time of payment or vesting of any benefits under any IXC Benefit Plan (other than acceleration of vesting of options in accordance with their terms) as a result of the transactions contemplated by this Agreement or any of the Option Agreements, (B) no amount payable, or economic benefit provided, by IXC or its Subsidiaries (including any acceleration of the time of payment or vesting of any benefit (other than acceleration of vesting of options in accordance with their terms)) could be considered an "excess parachute payment" under Section 280G of the Code and (C) no person is entitled to receive any additional payment from IXC or its Subsidiaries or any other person in the event that the excise tax of Section 4999 of the Code is imposed on such person, in each case except where such additional benefits or payments or acceleration (other than acceleration of vesting of options in accordance with their terms), individually or in the aggregate, are not reasonably likely to have a Material Adverse Effect on IXC.

(m) Taxes. (i) Each of IXC and its Subsidiaries and each IXC Consolidated Group has filed or has caused to be filed all material tax returns and reports required to be filed by it and all such returns and reports are complete and correct in all material respects, or requests for extensions to file such returns or reports have been timely filed, granted and have not expired, except to the extent that such failures to file, to be complete or correct or to have extensions granted that remain in effect individually or in the aggregate are not reasonably likely to have a Material Adverse Effect on IXC. IXC, each of its Subsidiaries and each IXC Consolidated Group has paid or caused to be paid (or IXC has paid on its behalf) all material taxes due and owing, and the most recent financial statements contained in the IXC Filed SEC Documents reflect an adequate reserve for all material taxes payable by IXC and its Subsidiaries for all taxable periods and portions thereof accrued through the date of such financial statements.

(ii) No deficiencies, audit examinations, refund litigation, proposed adjustments or matters in controversy for any taxes have been proposed, asserted or assessed in writing against IXC or any of its Subsidiaries or any IXC Consolidated Group that are not adequately reserved for, except for deficiencies, audit examinations, refund litigation, proposed adjustments or matters in controversy that individually or in the aggregate are not reasonably likely to have a Material Adverse Effect on IXC. The Federal income tax returns prior to the date set forth in Section 3.01(m)(ii) of the IXC Disclosure Schedule of IXC and its Subsidiaries consolidated in such returns have closed by virtue of the applicable statute of limitations. All assessments for taxes due and owing by IXC, any of its Subsidiaries or any IXC Consolidated Group with respect to completed and settled examinations or concluded litigation have been paid.

(iii) Neither IXC nor any of its Subsidiaries has taken or agreed to take any action or knows of any fact, agreement, plan or other circumstance that is reasonably likely to prevent the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code.

(iv) No deduction of any amount that would otherwise be deductible with respect to tax periods ending on or before the Effective Time could be disallowed under Section 162(m) of the Code, except any disallowances under Section 162(m) of the Code that alone or with other such disallowances are not reasonably likely to have a Material Adverse Effect on IXC.

(v) Neither IXC nor any of its Subsidiaries has constituted either a "distributing corporation" or a "controlled corporation" in a distribution of stock qualifying for tax-free treatment under Section 355 of the Code (x) in the two years prior to the date of this Agreement or (y) in a distribution which could otherwise constitute part of a "plan" or "series of related transactions" (within the meaning of Section 355(e) of the Code) in conjunction with the Merger.

(vi) To the Knowledge of IXC, no shareholder of IXC is a foreign person who held more than 5% of the IXC stock at some time during the shorter of the periods described in Section 897(c)(1)(A)(ii) of the Code.

(vii) Neither IXC nor any of its Subsidiaries has any material "deferred intercompany gains" (as defined in Treas. Reg. Section 1.1502-13).

(viii) Section 3.01(m)(1) of the IXC Disclosure Schedule sets forth a complete schedule of each IXC Consolidated Group of which IXC is or has been a member during the last six years. Such schedule sets forth the names of all members of each such IXC Consolidated Group and the periods during which IXC or any of its Subsidiaries is or has been a member.

(ix) As used in this Agreement (1) "taxes" shall include all (x) Federal, state, local or foreign income, property, sales, excise and other taxes or similar governmental charges, including any interest, penalties or additions with respect thereto, (y) liability for the payment of any amounts of the type described in clause (x) as a result of being a member of an affiliated, consolidated, combined or unitary group, and (z) liability for the payment of any amounts as a result of being party to any tax sharing agreement or as a result of any express or implied obligation to indemnify any other person with respect to the payment of any amounts of the type described in clause (x) or (y) and (2) "IXC Consolidated Group" means any affiliated group within the meaning of Section 1504(a) of the Code, in which IXC (or any Subsidiary of IXC) is or has ever been a member or any group of corporations with which IXC files, has filed or is or was required to file an affiliated, consolidated, combined, unitary or aggregate tax return.

(n) Voting Requirements. The affirmative vote of the holders of a majority of the outstanding shares of IXC Common Stock entitled to vote at the IXC Stockholders Meeting to (i) adopt this Agreement and (ii) adopt the agreement referred to in Section 8.11 (collectively, the "IXC Stockholder Approval") are the only votes or approvals of the holders of any class or series of IXC's capital stock necessary to adopt this Agreement and the Option Agreements and to approve the Merger and the other transactions contemplated hereby or thereby.

(o) State Takeover Statutes. The Board of Directors of IXC (including the disinterested directors thereof) has approved the terms of this Agreement, the Stockholders Agreements and the Option Agreements and the consummation of the Merger and the other transactions contemplated by this Agreement, the Stockholders Agreements and the Option Agreements and such approval constitutes approval of the Merger and the other transactions contemplated by this Agreement, the Stockholders Agreements and the Option Agreements by the Board of Directors of IXC under the provisions of Section 203 of the DGCL and represents all the action necessary to ensure that the

restrictions on "business combinations" (as defined in such Section 203) contained in Section 203 do not apply to CBI in connection with the Merger and the other transactions contemplated by this Agreement, the Stockholders Agreements and the Option Agreements. No other state takeover statute or similar statute or regulation is applicable to this Agreement, the Stockholders Agreements, the Option Agreements, the Merger or the other transactions contemplated by this Agreement, the Stockholders Agreements and the Option Agreements.

(p) Brokers. No broker, investment banker, financial advisor or other person, other than Merrill Lynch & Co. and Morgan Stanley & Co. Incorporated, the fees, commissions and expenses of which will be paid by IXC, is entitled to any broker's, finder's, financial advisor's or other similar fee or commission, or the reimbursement of expenses, in connection with the transactions contemplated by this Agreement and the Option Agreements based upon arrangements made by or on behalf of IXC. IXC has furnished to CBI true and complete copies of all agreements under which any such fees, commissions or expenses are payable and all indemnification and other agreements related to the engagement of the persons to whom such fees, commissions or expenses are payable.

(q) Opinions of Financial Advisors. IXC has received the opinions of its financial advisors, dated the date of this Agreement, to the effect that, as of such date, the Exchange Ratio is fair from a financial point of view to the stockholders of IXC (other than CBI and its Affiliates), a signed copy of which has been or promptly will be delivered to CBI.

(r) Intellectual Property; Year 2000. (i) IXC and its Subsidiaries own, or are validly licensed or otherwise have the right to use, all patents, patent rights, trademarks, trade secrets, trade names, service marks, copyrights and other proprietary intellectual property rights and computer programs (the "Intellectual Property Rights") which are material to the conduct of the business of IXC and its Subsidiaries, except where the failure to own or license such Intellectual Property Rights is not reasonably likely to have a Material Adverse Effect on IXC.

(ii) To the Knowledge of IXC, neither IXC nor any of its Subsidiaries has materially interfered with, infringed upon, misappropriated or otherwise come into conflict with any Intellectual Property Rights of any other person. Neither IXC nor any of its Subsidiaries has received any written charge, complaint, claim, demand or

notice alleging any such interference, infringement, misappropriation or other conflict (including any claim that IXC or any such Subsidiary must license or refrain from using any Intellectual Property Rights or other proprietary information of any other person) which has not been settled or otherwise fully resolved. To IXC's Knowledge, no other person has materially interfered with, infringed upon, misappropriated or otherwise come into conflict with any Intellectual Property Rights of IXC or any of its Subsidiaries.

(iii) As the business of IXC and its Subsidiaries is presently conducted and proposed to be conducted without giving effect to any change with respect thereto that may be made by CBI, to IXC's Knowledge, CBI's use after the Closing of the Intellectual Property Rights which are material to the conduct of the business of IXC and its Subsidiaries taken as a whole will not interfere with, infringe upon, misappropriate or otherwise come into conflict with the Intellectual Property Rights of any other person.

(iv) The disclosure set forth in the IXC 1998 10-K under the heading "Year 2000 Readiness" was true and correct in all material respects on the date thereof and is true and correct in all material respects as if made as of the date hereof.

(v) As of the Closing Date, IXC and its Subsidiaries have no Knowledge that they are not Year 2000 Compliant and, as of the date hereof, IXC and its Subsidiaries have no Knowledge that their respective suppliers will not be Year 2000 Compliant at January 1, 2000, except, in each case, for such failures to be Year 2000 Compliant that individually or in the aggregate are not reasonably likely to have a Material Adverse Effect on IXC. The term "Year 2000 Compliant", with respect to a computer system or software program, means that such computer system or program: (A) is capable of recognizing, processing, managing, representing, interpreting and manipulating correctly date-related data for dates earlier and later than January 1, 2000; (B) has the ability to provide date recognition for any data element without limitation; (C) has the ability to function automatically into and beyond the Year 2000 without human intervention and without any change in operations associated with the advent of the Year 2000; (D) has the ability to interpret data, dates and time correctly into and beyond the Year 2000; (E) has the ability not to produce noncompliance in existing data, nor otherwise corrupt such data, into and beyond the Year 2000; (F) has the ability to process correctly after January 1, 2000, data containing dates and times before that date; and (G) has the

ability to recognize all "leap year" dates, including February 29, 2000.

(s) IXC Rights Agreement. IXC has amended the IXC Rights Agreement substantially in the form of Exhibit F hereto.

(t) Title to Properties. (i) Section 3.01(t) of the IXC Disclosure Schedule sets forth a true and complete list of all material real property and the 20 most significant leasehold properties owned or leased by IXC or any of its Subsidiaries. Each of IXC and its Subsidiaries has good and valid title to, or valid leasehold interests in or valid rights to, all its material properties and assets except for such as are no longer used or useful in the conduct of its businesses or as have been disposed of in the ordinary course of business and except for defects in title, easements, restrictive covenants and similar encumbrances that individually or in the aggregate do not materially interfere with its ability to conduct its business as currently conducted. All such material assets and properties, other than assets and properties in which IXC or any of its Subsidiaries has a leasehold interest, are free and clear of all Liens except for Liens that individually or in the aggregate do not materially interfere with the ability of IXC and its Subsidiaries to conduct their respective businesses as currently conducted.

(ii) Each of IXC and its Subsidiaries has complied in all material respects with the terms of all material leases to which it is a party and under which it is in occupancy, and all such leases are in full force and effect. Each of IXC and its Subsidiaries enjoys peaceful and undisturbed possession under all such leases, except where a failure to do so individually or in the aggregate are not reasonably likely to have a Material Adverse Effect on IXC.

SECTION 3.02. Representations and Warranties of CBI and Sub. Except (i) with respect to matters expressly permitted by Section 4.01(b), (ii) as expressly disclosed in the CBI SEC Documents filed and publicly available prior to the date of this Agreement (the "CBI Filed SEC Documents") or (iii) as expressly set forth on the disclosure schedule delivered by CBI and Sub to IXC prior to the execution of this Agreement (the "CBI Disclosure Schedule"), CBI and Sub represent and warrant to IXC as follows:

(a) Organization, Standing and Corporate Power. Each of CBI, Sub and its Subsidiaries is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of the jurisdiction in which it

is organized and has the requisite corporate or other power and authority, as the case may be, to carry on its business as now being conducted. Each of CBI and its Subsidiaries is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership, leasing or operation of its properties makes such qualification or licensing necessary, except for those jurisdictions in which the failure to be so qualified or licensed or to be in good standing individually or in the aggregate is not reasonably likely to have a Material Adverse Effect on CBI. CBI has made available to IXC prior to the execution of this Agreement complete and correct copies of its Amended Articles of Incorporation and Amended Regulations, as amended to the date of this Agreement.

(b) Capital Structure. (i) The authorized capital stock of CBI consists of 485,000,000 shares of capital stock consisting of: (1) 480,000,000 shares of CBI Common Stock, (2) 1,000,000 shares of non-voting preferred stock without par value (the "Non-Voting Preferred Stock") and (3) 4,000,000 shares of voting preferred stock without par value (the "Voting Preferred Stock" and, together with the Non-Voting Preferred Stock, the "CBI Preferred Stock") of which 2,000,000 shares have been designated as Series A Preferred Stock (the "CBI Series A Preferred Stock"). At the close of business on July 15, 1999, (i) 137,792,751 shares of CBI Common Stock were issued and outstanding; (ii) no shares of CBI Common Stock were held by CBI in its treasury; (iii) no shares of CBI Preferred Stock were issued and outstanding; (iv) 2,000,000 shares of CBI Series A Preferred Stock were reserved for issuance in connection with the rights to purchase shares of CBI Common Stock issued pursuant to the Rights Agreement dated as of April 29, 1997 (the "CBI Rights Agreement"), between CBI and The Fifth Third Bank, as rights agent; and (v) no shares of CBI Common Stock were reserved for issuance pursuant to the CBI 1989 Stock Option Plan, the CBI 1997 Stock Option Plan for Non-Employee Directors, the CBI 1997 Long Term Incentive Plan, the CBI Executive Deferred Compensation Plan and grants of options made to individual employees (such plans and arrangements, collectively, the "CBI Stock Plans") (of which 10,629,687 shares of CBI Common Stock are subject to outstanding CBI Stock Options). There are no outstanding stock appreciation rights or rights (other than the CBI Stock Options) to receive shares of CBI Common Stock on a deferred basis granted under the CBI Stock Plans or otherwise. Section 3.02(b) of the CBI Disclosure Schedule sets forth a complete and correct list, as of July 15, 1999, of all outstanding stock options or other rights to purchase or receive CBI Common Stock granted under the CBI Stock

Plans (collectively, "CBI Stock Options"). No bonds, debentures, notes or other indebtedness of CBI having the right to vote (or convertible into or exchangeable or exercisable for securities having the right to vote) on any matters on which stockholders of CBI or any of its Subsidiaries may vote are issued or outstanding or subject to issuance. All outstanding shares of capital stock of CBI are, and all shares which may be issued will be, when issued, duly authorized, validly issued, fully paid and nonassessable and will be delivered free and clear of all Liens (other than Liens created by or imposed upon the holders thereof) and not subject to preemptive rights. Except as set forth in this Section 3.02(b) (including pursuant to the conversion or exercise of the securities referred to above), (x) there are not issued, reserved for issuance or outstanding (A) any shares of capital stock or other voting securities of CBI or any of its Subsidiaries (other than shares of capital stock or other voting securities of such Subsidiaries that are directly or indirectly owned by CBI), (B) any securities of CBI or any of its Subsidiaries convertible into or exchangeable or exercisable for shares of capital stock or other voting securities of, or other ownership interests in, CBI or any of its Subsidiaries or (C) any warrants, calls, options or other rights to acquire from CBI or any of its Subsidiaries, and no obligation of CBI or any of its Subsidiaries to issue, any capital stock or other voting securities of, or other ownership interests in, or any securities convertible into or exchangeable or exercisable for any capital stock or other voting securities of, or other ownership interests in, CBI or any of its Subsidiaries, (y) there are not any outstanding obligations of CBI or any of its Subsidiaries to repurchase, redeem or otherwise acquire any such securities or to issue, deliver or sell, or cause to be issued, delivered or sold, any such securities and (z) CBI is not a party to any voting agreement with respect to the voting of any such securities. Other than the capital stock of, or other equity interests in, its Subsidiaries, CBI does not directly or indirectly beneficially own any securities or other beneficial ownership interests in any other entity.

(ii) The authorized capital stock of Sub consists of 1,000 shares of common stock, par value $.01 per share ("Sub Common Stock"). There are issued and outstanding 1,000 shares of Sub Common Stock. All such shares are owned by CBI. Sub does not have issued or outstanding any options, warrants, subscriptions, calls, rights, convertible securities or other agreements or commitments obligating Sub to issue, transfer or sell any shares of Sub Common Stock. Sub does not have bonds, debentures, notes or other indebtedness outstanding.

(iii) Section 3.02(b)(iii) of the CBI Disclosure Schedule sets forth a true and complete list of each of CBI's Subsidiaries as of the date hereof. All the outstanding shares of capital stock of, or other equity interests in, each Subsidiary of CBI have been validly issued and are fully paid and nonassessable and are owned directly or indirectly by CBI, free and clear of any Liens and free of any restriction on the right to vote, sell or otherwise dispose of such capital stock or other ownership interests. Except for the capital stock or other ownership interests of its Subsidiaries, as of the date hereof, CBI does not beneficially own directly or indirectly any material capital stock, membership interest, partnership interest, joint venture interest or other material equity interest in any person.

(c) Authority; Noncontravention. Each of CBI and Sub has the requisite corporate power and corporate authority to enter into this Agreement and, subject to receipt of CBI Shareholder Approval, to consummate the transactions contemplated by this Agreement. CBI has the requisite corporate power and corporate authority to enter into the Stockholders Agreements and the Option Agreements and to consummate the transactions contemplated thereby. The execution and delivery of this Agreement, the Stockholders Agreements and the Option Agreements by CBI and the consummation by CBI of the transactions contemplated by this Agreement, the Stockholders Agreements and the Option Agreements have been duly authorized by all necessary corporate action on the part of CBI, subject, in connection with, among other things, the issuance of shares of CBI Common Stock in the Merger, to receipt of CBI Shareholder Approval. This Agreement, the Stockholders Agreements and the Option Agreements have been duly executed and delivered by CBI and, assuming the due authorization, execution and delivery by each of the other parties hereto and thereto, constitute the legal, valid and binding obligations of CBI, enforceable against CBI in accordance with their terms. The execution and delivery of this Agreement, the Stockholders Agreements and the Option Agreements do not, and the consummation of the transactions contemplated by this Agreement, the Stockholders Agreements and the Option Agreements and compliance with the provisions hereof and thereof will not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancelation or acceleration of any obligation or loss of a benefit under, or result in the creation of any Lien upon any of the properties or assets of CBI or any of its Subsidiaries under, (i) the Amended Articles of Incorporation or Amended Regulations of CBI or the comparable

organizational documents of any of its Subsidiaries, (ii) any loan or credit agreement, note, bond, mortgage, indenture, lease or other agreement, instrument, permit, concession, franchise, license or similar authorization applicable to CBI or any of its Subsidiaries or their respective properties or assets or (iii) subject to the governmental filings and other matters referred to in the following sentence, any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to IXC or any of its Subsidiaries or their respective properties or assets, other than, in the case of clauses (ii) and (iii), any such conflicts, violations, defaults, rights, losses or Liens that individually or in the aggregate are not reasonably likely to (x) have a Material Adverse Effect on CBI, (y) impair the ability of CBI to perform its obligations under this Agreement or any of the Option Agreements or (z) prevent or materially delay the consummation of the transactions contemplated by this Agreement or any of the Option Agreements. No consent, approval, order or authorization of, action by or in respect of, or registration, declaration or filing with, any Governmental Entity is required by or with respect to CBI or any of its Subsidiaries in connection with the execution and delivery of this Agreement, the Stockholders Agreements or any of the Option Agreements by CBI or the consummation by CBI of the Merger or the other transactions contemplated by this Agreement, the Stockholders Agreements or any of the Option Agreements, except for (1) the filing of a premerger notification and report form by CBI under the HSR Act and any applicable filings and approvals under similar foreign antitrust or competition laws and regulations; (2) the filing with the SEC of (A) the Joint Proxy Statement and (B) such reports under Section 13(a), 13(d), 15(d) or 16(a) of the Exchange Act as may be required in connection with this Agreement, the Stockholders Agreements and the Option Agreements and the transactions contemplated by this Agreement, the Stockholders Agreements or any of the Option Agreements; (3) the filing of the Certificate of Merger with the Delaware Secretary of State and appropriate documents with the relevant authorities of other states in which CBI is qualified to do business and such filings with Governmental Entities to satisfy the applicable requirements of state securities or "blue sky" laws; (4) filings with and approvals of the FCC as required under the Communications Act and the rules and regulations promulgated thereunder; (5) such filings with and approvals of the NYSE and The Cincinnati Stock Exchange (the "CSE") to permit the shares of CBI Common Stock that are to be issued in the Merger and pursuant to the CBI Stock Option Agreement to be listed on the NYSE and the CSE; (6) filings with and approvals of any state PUCs, foreign telecommunications regulatory agencies

or similar regulatory bodies as required by applicable statutes, laws, rules, ordinances and regulations; and (7) such other consents, approvals, orders or authorizations the failure of which to be made or obtained individually or in the aggregate is not reasonably likely to (x) have a Material Adverse Effect on CBI, (y) impair the ability of CBI to perform its obligations under this Agreement or any of the Option Agreements or (z) prevent or materially delay the consummation of the transactions contemplated by this Agreement or any of the Option Agreements.

(d) SEC Documents; Undisclosed Liabilities. CBI has filed all required reports, schedules, forms, statements and other documents (including exhibits and all other information incorporated therein) with the SEC since January 1, 1998 (collectively, the "CBI SEC Documents"). As of their respective dates, the CBI SEC Documents complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to such CBI SEC Documents, and none of the CBI SEC Documents when filed contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Except to the extent that information contained in any CBI SEC Document has been revised or superseded by a later filed CBI SEC Document, none of the CBI SEC Documents contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of CBI included in the CBI SEC Documents comply as to form, as of their respective dates of filing with the SEC, in all material respects with the Accounting Rules, have been prepared in accordance with GAAP (except, in the case of unaudited statements, as permitted by Form 10-Q of the SEC) applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and fairly present in all material respects the consolidated financial position of CBI and its consolidated Subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal recurring year-end audit adjustments and the absence of footnotes if applicable). Except (i) as reflected in the CBI Filed SEC Documents, (ii) for liabilities incurred in connection with this Agreement, the Stockholders Agreements or any of the Option Agreements or the transactions contemplated by this Agreement, the Stockholders Agreements

or any of the Option Agreements or (iii) incurred since March 31, 1999, in the ordinary course of business consistent with past practice, neither CBI nor any of its Subsidiaries has any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) which individually or in the aggregate are reasonably likely to have a Material Adverse Effect on CBI.

(e) Information Supplied. None of the information supplied or to be supplied by CBI specifically for inclusion or incorporation by reference in (i) the Form S-4 will, at the time the Form S-4 becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading or (ii) the Joint Proxy Statement will, at the date it is first mailed to CBI's shareholders and IXC's stockholders or at the time of the CBI Shareholders Meeting or the IXC Stockholders Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The Form S-4 and the Joint Proxy Statement will comply as to form in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and the respective rules and regulations promulgated thereunder. No representation or warranty is made by CBI with respect to statements made or incorporated by reference in the Form S-4 and the Joint Proxy Statement based on information supplied by IXC specifically for inclusion or incorporation by reference in the Form S-4 or the Joint Proxy Statement, as the case may be.

(f) Absence of Certain Changes or Events. Except for liabilities incurred in connection with or expressly permitted by this Agreement, the Stockholders Agreements and the Option Agreements and except as disclosed in the CBI Filed SEC Documents, since March 31, 1999, CBI and its Subsidiaries have conducted their business only in the ordinary course consistent with past practice, and since such date there has not been (1) any Material Adverse Change in CBI, (2) any declaration, setting aside or payment of any dividend or other distribution (whether in cash, stock or property) with respect to any of CBI's capital stock, except for regular quarterly cash dividends declared, set aside or paid by CBI with respect to CBI Common Stock, (3) any split, combination or reclassification of any of CBI's capital stock or any issuance or the authorization of any issuance of any other securities in respect of, in lieu of or in substitution for shares of CBI's capital stock, (4) (A) any

granting by CBI or any of its Subsidiaries to any current or former director, executive officer or other employee of CBI or its Subsidiaries of any increase in compensation, bonus or other benefits, except for normal increases in cash compensation in the ordinary course of business consistent with past practice or as was required under any employment agreements in effect as of the date of the most recent audited financial statements included in the CBI Filed SEC Documents, (B) any granting by CBI or any of its Subsidiaries to any such current or former director, executive officer or employee of any increase in severance or termination pay, (C) any entry by CBI or any of its Subsidiaries into, or any amendments of, any employment, deferred compensation, consulting, severance, termination or indemnification agreement with any such current or former director, executive officer or employee or (D) any amendment to, or modification of, any CBI Stock Option, (5) any damage, destruction or loss, whether or not covered by insurance, that individually or in the aggregate is reasonably likely to have a Material Adverse Effect on CBI, (6) except insofar as may have been required by a change in GAAP, any change in accounting methods, principles or practices by CBI or any of its Subsidiaries materially affecting the consolidated financial position or results of operations of CBI or (7) any tax election or any settlement or compromise of any income tax liability that individually or in the aggregate is reasonably likely to adversely affect the tax liability or tax attributes of CBI or any of its Subsidiaries in any material respect or any settlement or compromise of any material income tax liability.

(g) Litigation. There is no suit, action, proceeding, claim, grievance or investigation pending or, to the Knowledge of CBI or any of its Subsidiaries, threatened against or affecting CBI or any of its Subsidiaries that individually or in the aggregate is reasonably likely to have a Material Adverse Effect on CBI nor is there any judgment, decree, injunction, rule or order of any Governmental Entity or arbitrator outstanding against IXC or any of its Subsidiaries having, or that is individually or in the aggregate reasonably likely to have, a Material Adverse Effect on CBI. There are no facts, circumstances or conditions that are reasonably likely to give rise to any liability of, or form the basis of a claim against, CBI or any of its Subsidiaries under any applicable statutes, laws, ordinances, rules or regulations, which liability or claim is reasonably likely to have individually or in the aggregate a Material Adverse Effect on CBI.

(h) Compliance with Applicable Laws. CBI and its Subsidiaries hold all material permits, licenses, variances,

exemptions, orders, registrations and approvals of all Governmental Entities (the "CBI Permits") which are required for them to own, lease or operate their assets and to carry on their businesses. CBI and its Subsidiaries are in compliance in all material respects with the terms of the CBI Permits and all applicable statutes, laws, ordinances, rules and regulations. No action, demand, requirement or investigation by any Governmental Entity and no suit, action or proceeding by any person, in each case with respect to CBI or any of its Subsidiaries or any of their respective properties, that is reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on CBI, is pending or, to the Knowledge of CBI, threatened. As of the date hereof, Section 3.02(h) of the CBI Disclosure Schedule sets forth a true and complete list of all CBI Permits obtained from the FCC and any state PUC.

(i) Contracts. Neither CBI nor any of its Subsidiaries is in violation of or in default under (nor does there exist any condition which upon the passage of time or the giving of notice or both would cause such a violation of or default under) any loan or credit agreement, bond, note, mortgage, indenture, lease or other contract, agreement, obligation, commitment, arrangement, understanding, instrument, permit or license to which it is a party or by which it or any of its properties or assets is bound, except for violations or defaults that individually or in the aggregate are not reasonably likely to have a Material Adverse Effect on CBI. Since December 31, 1998, through the date hereof, neither of CBI nor any of its Subsidiaries has entered into any contract, agreement, obligation, commitment, arrangement or understanding with any Affiliate of CBI that would have been required to be filed as an exhibit to CBI's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 (the "CBI 1998 10-K") had CBI been a party thereto as of December 31, 1998. Neither CBI nor any of its Subsidiaries is a party to or bound by any non-competition agreement or any other similar agreement or obligation which purports to limit in any material respect the manner in which, or the localities in which, all or any material portion of the business of CBI and its Subsidiaries, taken as a whole, is conducted.

(j) Absence of Changes in Benefit Plans. Since the date of the most recent audited financial statements included in the CBI Filed SEC Documents, there has not been (i) any adoption or amendment by CBI or any of its Subsidiaries of any employment agreement with any director, officer or employee of CBI or any of its Subsidiaries or of any collective bargaining agreement or (ii) any adoption or amendment of any bonus, pension, profit sharing, deferred

compensation, incentive compensation, stock ownership, stock purchase, stock option, phantom stock, retirement, vacation, severance, disability, death benefit, hospitalization, medical, welfare benefit or other plan, arrangement or understanding providing compensation or benefits to any current or former director, officer or employee of CBI or any of its Subsidiaries (collectively, the "CBI Benefit Plans"), or any change in any actuarial or other assumption used to calculate funding obligations with respect to any CBI pension plans, or any change in the manner in which contributions to any CBI pension plans are made or the basis on which such contributions are determined which are reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on CBI.

(k) ERISA Compliance. (i) With respect to CBI Benefit Plans, no liability has been incurred and, to the Knowledge of CBI, there exists no condition or circumstances in connection with which CBI or any of its Subsidiaries could be subject to any liability that individually or in the aggregate is reasonably likely to have a Material Adverse Effect on CBI under ERISA, the Code or any other applicable law.

(ii) Each CBI Benefit Plan has been administered in accordance with its terms, except for any failures so to administer any CBI Benefit Plan that individually or in the aggregate are not reasonably likely to have a Material Adverse Effect on CBI. CBI, its Subsidiaries and all CBI Benefit Plans are in compliance with the applicable provisions of ERISA, the Code and all other applicable laws and the terms of all applicable collective bargaining agreements, except for any failures to be in such compliance that individually or in the aggregate are not reasonably likely to have a Material Adverse Effect on CBI.

(iii) None of CBI or any of its Subsidiaries sponsors or contributes to any CBI Benefit Plan that is subject to Title IV of ERISA.

(iv) CBI and its Subsidiaries are in compliance with all Federal, state, local and foreign requirements regarding employment, except for any failures to comply that individually or in the aggregate are not reasonably likely to have a Material Adverse Effect on CBI. Neither CBI nor any of its Subsidiaries is a party to any collective bargaining or other labor union contract applicable to persons employed by CBI or any of its Subsidiaries in the United States and as of the date of this Agreement no such collective bargaining agreement is being negotiated by CBI or any of its Subsidiaries. As of the date of this

Agreement, there is no labor dispute, strike or work stoppage against CBI or any of its Subsidiaries pending or, to the Knowledge of CBI, threatened which may interfere with the respective business activities of CBI or any of its Subsidiaries, except where such dispute, strike or work stoppage individually or in the aggregate is not reasonably likely to have a Material Adverse Effect on CBI. As of the date of this Agreement, to the Knowledge of CBI, none of CBI, any of its Subsidiaries or any of their respective representatives or employees has committed any unfair labor practice in connection with the operation of the respective businesses of CBI or any of its Subsidiaries, and there is no action, charge or complaint against CBI or any of its Subsidiaries by the National Labor Relations Board or any comparable governmental agency pending or threatened in writing, in each case except where such practices, actions, charges or complaints, individually or in the aggregate, are not reasonably likely to have a Material Adverse Effect on CBI.

(l) Taxes. (i) Each of CBI and its Subsidiaries and each CBI Consolidated Group has filed or has caused to be filed all material tax returns and reports required to be filed by it and all such returns and reports are complete and correct in all material respects, or requests for extensions to file such returns or reports have been timely filed, granted and have not expired, except to the extent that such failures to file, to be complete or correct or to have extensions granted that remain in effect individually or in the aggregate are not reasonably likely to have a Material Adverse Effect on CBI. CBI, each of its Subsidiaries and each CBI Consolidated Group has paid or caused to be paid (or CBI has paid on its behalf) all material taxes due and owing, and the most recent financial statements contained in the CBI Filed SEC Documents reflect an adequate reserve for all material taxes payable by CBI and its Subsidiaries for all taxable periods and portions thereof accrued through the date of such financial statements.

(ii) No deficiencies, audit examinations, refund litigation, proposed adjustments or matters in controversy, for any taxes have been proposed, asserted or assessed in writing against CBI or any of its Subsidiaries or any CBI Consolidated Group that are not adequately reserved for, except for deficiencies, audit examinations, refund litigation, proposed adjustments or matters in controversy that individually or in the aggregate are not reasonably likely to have a Material Adverse Effect on CBI. The Federal income tax returns of CBI and its Subsidiaries consolidated in such returns prior to 1993 have closed by

virtue of the applicable statute of limitations. All assessments for taxes due and owing by CBI, any of its Subsidiaries or any CBI Consolidated Group with respect to completed and settled examinations or concluded litigation have been paid.

(iii) Neither CBI nor any of its Subsidiaries has taken or agreed to take any action or knows of any fact, agreement, plan or other circumstance that is reasonably likely to prevent the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code.

(iv) No deduction of any amount that would otherwise be deductible with respect to tax periods ending on or before the Effective Time could be disallowed under Section 162(m) of the Code, except any disallowances under Section 162(m) of the Code that alone or with other such disallowances are not reasonably likely to have a Material Adverse Effect on CBI.

(v) Section 3.02(l)(1) of the CBI Disclosure Schedule sets forth a complete schedule of each CBI Consolidated Group of which CBI is or has been a member during the last six years. Such schedule sets forth the names of all members of each such CBI Consolidated Group and the periods during which CBI or any of its Subsidiaries is or has been a member.

(vi) As used in this Agreement (1) "taxes" shall include all (x) Federal, state, local or foreign income, property, sales, excise and other taxes or similar governmental charges, including any interest, penalties or additions with respect thereto, (y) liability for the payment of any amounts of the type described in clause (x) as a result of being a member of an affiliated, consolidated, combined or unitary group, and (z) liability for the payment of any amounts as a result of being party to any tax sharing agreement or as a result of any express or implied obligation to indemnify any other person with respect to the payment of any amounts of the type described in clause (x) or (y) and (2) "CBI Consolidated Group" means any affiliated group within the meaning of Section 1504(a) of the Code, in which CBI (or any Subsidiary of CBI) is or has ever been a member or any group of corporations with which CBI files, has filed or is or was required to file an affiliated, consolidated, combined, unitary or aggregate tax return.

(m) Voting Requirements. The affirmative vote at the CBI Shareholders Meeting (the "CBI Shareholder Approval") of the holders of a majority of all shares of CBI

Common Stock casting votes (provided that the total vote cast represents more than fifty percent in interest of all capital stock of CBI entitled to vote) is the only vote of the holders of any class or series of CBI's capital stock necessary to approve, in accordance with the applicable rules of the NYSE, the issuance of CBI Common Stock in connection with the Merger and the other transactions contemplated by this Agreement.

(n) Brokers. No broker, investment banker, financial advisor or other person, other than Salomon Smith Barney Inc., the fees, commissions and expenses of which will be paid by CBI, is entitled to any broker's, finder's, financial advisor's or other similar fee or commission, or the reimbursement of expenses, in connection with the transactions contemplated by this Agreement, the Stockholders Agreements and the Option Agreements based upon arrangements made by or on behalf of CBI. CBI has furnished to IXC true and complete copies of all agreements under which any such fees, commissions or expenses are payable and all indemnification and other agreements related to the engagement of the persons to whom such fees, commissions or expenses are payable.

(o) Opinion of Financial Advisor. CBI has received the opinion of Salomon Smith Barney Inc., dated the date of this Agreement, to the effect that, as of such date, the Exchange Ratio is fair to CBI from a financial point of view, a signed copy of which has been or promptly will be delivered to CBI.

(p) Interim Operations of Sub. Sub was formed solely for the purpose of engaging in the transactions contemplated hereby, has engaged in no other business activities and has conducted its operations only as contemplated hereby.

(q) Intellectual Property; Year 2000. (i) CBI and its Subsidiaries own, or are validly licensed or otherwise have the right to use, all Intellectual Property Rights which are material to the conduct of the business of CBI and its Subsidiaries, except where the failure to own or license such Intellectual Property Rights is not reasonably likely to have a Material Adverse Effect on CBI.

(ii) To the Knowledge of CBI, neither CBI nor any of its Subsidiaries has materially interfered with, infringed upon, misappropriated or otherwise come into conflict with any Intellectual Property Rights of any other person. Neither CBI nor any of its Subsidiaries has received any written charge, complaint, claim, demand or

notice alleging any such interference, infringement, misappropriation or other conflict (including any claim that CBI or any such Subsidiary must license or refrain from using any Intellectual Property Rights or other proprietary information of any other person) which has not been settled or otherwise fully resolved. To CBI's Knowledge, no other person has materially interfered with, infringed upon, misappropriated or otherwise come into conflict with any Intellectual Property Rights of CBI or any of its Subsidiaries.

(iii) The disclosure set forth in the CBI 1998 10-K under the heading "Year 2000 Readiness" was true and correct in all material respects on the date thereof and is true and correct in all material respects as if made as of the date hereof.

(iv) As of the Closing Date, CBI and its Subsidiaries have no Knowledge that they are not Year 2000 Compliant and, as of the date hereof, CBI and its Subsidiaries have no Knowledge that their respective suppliers will not be Year 2000 Compliant at January 1, 2000, except, in each case, for such failures to be Year 2000 Compliant that individually or in the aggregate are not reasonably likely to have a Material Adverse Effect on CBI.

(r) Ownership of IXC Stock. Neither CBI nor Sub (nor any other Subsidiary of CBI) has acquired or, except as the result of the Merger, will acquire, or has owned in the past three years, any stock of IXC.

(s) CBI Rights Agreement. CBI has amended the CBI Rights Agreement to provide that IXC shall not be deemed to be an Acquiring Person (as defined in the CBI Rights Agreement) and the Distribution Date or Share Acquisition Date (each as defined in the CBI Rights Agreement) shall not be deemed to occur and that the CBI Rights will not become separable, distributable, unredeemable or exercisable as a result of the approval, execution and delivery of this Agreement, the CBI Stock Option Agreement or the consummation of the Merger and/or the other transactions contemplated hereby or thereby.

(t) Title to Properties. (i) Section 3.02(t) of the CBI Disclosure Schedule sets forth a true and complete list of all material real property and leasehold property owned or leased by CBI or any of its Subsidiaries. Each of CBI and its Subsidiaries has good and valid title to, or valid leasehold interests in or valid rights to, all its material properties and assets except for such as are no longer used or useful in the conduct of its businesses or as

have been disposed of in the ordinary course of business and except for defects in title, easements, restrictive covenants and similar encumbrances that individually or in the aggregate do not materially interfere with its ability to conduct its business as currently conducted. All such material assets and properties, other than assets and properties in which CBI or any of its Subsidiaries has a leasehold interest, are free and clear of all Liens except for Liens that individually or in the aggregate do not materially interfere with the ability of CBI and its Subsidiaries to conduct their respective businesses as currently conducted.

(ii) Each of CBI and its Subsidiaries has complied in all material respects with the terms of all material leases to which it is a party and under which it is in occupancy, and all such leases are in full force and effect. Each of CBI and its Subsidiaries enjoys peaceful and undisturbed possession under all such leases, except where a failure to do so individually or in the aggregate are not reasonably likely to have a Material Adverse Effect on CBI.

ARTICLE IV

Covenants Relating to Conduct of Business

SECTION 4.01. Conduct of Business. (a) Conduct of Business by IXC. Except as set forth in Section 4.01(a) of the IXC Disclosure Schedule, as otherwise expressly permitted by this Agreement or any of the Option Agreements or as consented to in writing by CBI, during the period from the date of this Agreement to the Effective Time, IXC shall, and shall cause its Subsidiaries to, carry on their respective businesses in the ordinary course consistent with past practice and in compliance in all material respects with all applicable laws and regulations. Without limiting the generality of the foregoing, during the period from the date of this Agreement to the Effective Time, except as set forth in Section 4.01(a) of the IXC Disclosure Schedule, as otherwise expressly permitted by this Agreement or any of the Option Agreements or as consented to in writing by CBI, IXC shall not, and shall not permit any of its Subsidiaries to:

(i) other than dividends and distributions (including liquidating distributions) by a direct or indirect wholly owned Subsidiary of IXC to its parent and dividends and distributions declared, set aside or paid by IXC as required by and in accordance with the respective terms of its capital stock as of the date

hereof, (x) declare, set aside or pay any dividends on, or make any other distributions (whether in cash, stock, property or otherwise) in respect of, any of its capital stock, (y) split, combine or reclassify any of its capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock, or (z) purchase, redeem or otherwise acquire, directly or indirectly, any shares of capital stock of IXC or any of its Subsidiaries or any other securities thereof or any rights, warrants or options to acquire any such shares or other securities;

(ii) issue, deliver, sell, grant, pledge or otherwise encumber or subject to any Lien any shares of its capital stock, any other voting securities or any securities convertible into, or any rights, warrants or options to acquire, any such shares, voting securities or convertible securities (other than (w) in accordance with the IXC Rights Agreement, (x) the issuance of shares of IXC Common Stock upon the exercise of IXC Stock Options as of the date hereof in accordance with their terms on the date hereof or options issued after the date hereof with the approval of CBI in its sole discretion, (y) the issuance of shares of IXC Common Stock upon the conversion of the IXC 7¼% Preferred Stock and the IXC 6¾% Preferred Stock outstanding as of the date hereof in accordance with their terms on the date hereof or (z) the issuance of shares of IXC Common Stock pursuant to the IXC Stock Option Agreement);

issue or sell any debt securities or warrants or other rights to acquire any debt securities of IXC or any of its Subsidiaries, guarantee any debt securities of another person, enter into any "keep well" or other agreement to maintain any financial statement condition of another person or enter into any arrangement having the economic effect of any of the foregoing, except for (x) short-term borrowings incurred in the ordinary course of business (or to refund existing or maturing indebtedness) consistent with past practice and (y) intercompany indebtedness between IXC and any of its wholly owned Subsidiaries or between such wholly owned Subsidiaries, or (B) make any loans, advances or capital contributions to, or investments in, any other person;

(vii) make or agree to make any new capital expenditure or expenditures;

(viii) (A) pay, discharge, settle or satisfy any claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise) or litigation (whether or not commenced prior to the date of this Agreement), other than the payment, discharge, settlement or satisfaction, in the ordinary course of business consistent with past practice or in accordance with its terms, of any liability recognized or disclosed in the most recent consolidated financial statements (or the notes thereto) of IXC included in the IXC Filed SEC Documents or incurred since the date of such financial statements, or (B) waive the benefits

(x) except for normal increases in the ordinary course of business consistent with past practice that, in the aggregate, do not materially increase benefits or compensation expenses of IXC or its Subsidiaries, or as contemplated hereby or by the terms of any contract the existence of which does not constitute a violation of this Agreement, increase the compensation, bonus or other benefits of any director, officer or other employee or pay any benefit or amount not required by a plan or arrangement as in effect on the date of this Agreement to any such person;

(xi) transfer or license to any person or entity or otherwise extend, amend or modify any rights to the Intellectual Property Rights of IXC and its Subsidiaries other than in the ordinary course of business consistent with past practices or on a non-exclusive basis not materially different from past practices;

(xii) take any action that would cause the representations and warranties set forth in paragraph (4)(B), (4)(D), (6) or (7) of Section 3.01(g) to no longer be true and correct on the Closing Date;

(xiii) call or hold any meeting of stockholders of IXC other than in connection with the election of members of the Board of Directors of IXC or other routine matters in the ordinary course of business consistent with past practice;

(xiv) enter into any contract, agreement, obligation, commitment, arrangement or understanding

(i) make any material acquisition of assets or businesses;

(ii) sell or otherwise dispose of any material part of its properties or assets other than sales or licenses of services in the ordinary course of business consistent with past practice; or

(iii) issue or sell a material amount of its shares of capital stock, any other voting securities or any securities convertible into any such shares, voting securities or convertible securities (other than (x) in accordance with the CBI Rights Agreement, (y) the issuance of shares of CBI Common Stock upon the exercise of CBI Stock Options in accordance with their terms or (z) the issuance of shares of CBI Common Stock pursuant to the CBI Stock Option Agreement).

(c) Other Actions. Except as required by applicable law or as expressly permitted by this Agreement, IXC and CBI shall not, and shall not permit any of their respective Subsidiaries to, voluntarily take any action that would, or that is reasonably likely to, result in (i) any of the representations and warranties of such party set forth in this Agreement or any of the Option Agreements that are qualified as to materiality becoming untrue at the Effective Time, (ii) any of such representations and warranties that are not so qualified becoming untrue in any material respect at the Effective Time or (iii) any of the conditions to the Merger set forth in Article VI not being satisfied.

(d) Advice of Changes. IXC and CBI shall

or the conditions to the obligations of the parties under this Agreement or any of the Option Agreements.

SECTION 4.02. Transition Team. Immediately following the execution of this Agreement, the parties will create a special transition team (the "Transition Team") comprised of the individuals from CBI and IXC set forth in Section 4.02 of the CBI Disclosure Schedule and IXC will make available to the Transition Team sufficient office space, facilities and support within its corporate headquarters. To the extent permitted under applicable law, CBI and IXC will consult with each other regarding the business and operations of IXC and its Subsidiaries. In addition, the Transition Team will develop recommendations concerning the future structure and operations of the Surviving Corporation and its Subsidiaries following the Effective Time.

SECTION 4.03. No Solicitation by IXC. (a) From and after the date of this Agreement, IXC shall not, nor shall it permit any of its Subsidiaries to, nor shall it authorize or permit any of its directors, officers or employees or any investment banker, financial advisor, attorney, accountant or other representative retained by it or any of its Subsidiaries to, directly or indirectly through another person, (i) solicit, initiate or encourage (including by way of furnishing information), or take any other action designed to facilitate, any inquiries or the making of any proposal that constitutes, an IXC Takeover Proposal or (ii) participate in any discussions or negotiations regarding any IXC Takeover Proposal. For purposes of this Agreement, "IXC Takeover Proposal" means any bona fide inquiry, proposal or offer from any person relating to any direct or indirect acquisition or purchase of a business that constitutes 35% or more of the net revenues, net income or the assets of IXC and its Subsidiaries, taken as a whole, or 35% or more of any class of equity securities of IXC or any of its Subsidiaries, any tender offer or exchange offer that if consummated would result in any person beneficially owning 35% or more of any class of equity securities of IXC or any of its Subsidiaries, or any merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving IXC or any of its Subsidiaries, other than the transactions contemplated by this Agreement.

(b) Neither the Board of Directors of IXC nor any committee thereof shall (i) except as required by law as advised by counsel, withdraw or modify, or propose publicly to withdraw or modify, in a manner adverse to CBI, the

approval or recommendation by such Board of Directors or such committee of the Merger or this Agreement, (ii) approve or recommend, or propose publicly to approve or recommend, any IXC Takeover Proposal or (iii) cause IXC to enter into any letter of intent, agreement in principle, acquisition agreement or other similar agreement (each, an "IXC Acquisition Agreement") related to any IXC Takeover Proposal.

(c) In addition to the obligations of IXC set forth in paragraphs (a) and (b) of this Section 4.03, IXC shall immediately advise CBI orally and in writing of any request for information or of any IXC Takeover Proposal, the material terms and conditions of such request or IXC Takeover Proposal and the identity of the person making such request or IXC Takeover Proposal. IXC will keep CBI informed of the status and details (including amendments or proposed amendments) of any such request or IXC Takeover Proposal.

(d) Nothing contained in this Section 4.03 shall prohibit IXC from taking and disclosing to its stockholders a position contemplated by Rule 14d-9 or 14e-2 promulgated under the Exchange Act or from making any disclosure to IXC's stockholders if, in the good faith judgment of the Board of Directors of IXC, after consultation with outside counsel, failure so to disclose would be inconsistent with its obligations under applicable law; provided, however, that, subject to Section 4.03(b)(i), neither IXC nor its Board of Directors nor any committee thereof shall withdraw or modify, or propose publicly to withdraw or modify, its position with respect to this Agreement or the Merger or approve or recommend, or propose publicly to approve or recommend, an IXC Takeover Proposal.

SECTION 4.04. No Solicitation by CBI. (a) From and after the date of this Agreement, CBI shall not, nor shall it permit any of its Subsidiaries to, nor shall it authorize or permit any of its directors, officers or employees or any investment banker, financial advisor, attorney, accountant or other representative retained by it or any of its Subsidiaries to, directly or indirectly through another person, (i) solicit, initiate or encourage (including by way of furnishing information), or take any other action designed to facilitate, any inquiries or the making of any proposal that constitutes, a CBI Takeover Proposal or (ii) participate in any discussions or negotiations regarding any CBI Takeover Proposal. For purposes of this Agreement, "CBI Takeover Proposal" means any bona fide inquiry, proposal or offer from any person relating to any direct or indirect acquisition or purchase of a business

that constitutes 35% or more of the net revenues, net income or the assets of CBI and its Subsidiaries, taken as a whole, or 35% or more of any class of equity securities of CBI or any of its Subsidiaries, any tender offer or exchange offer that if consummated would result in any person beneficially owning 35% or more of any class of equity securities of CBI or any of its Subsidiaries, or any merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving CBI or any of its Subsidiaries, other than the transactions contemplated by this Agreement.

(b) Neither the Board of Directors of CBI nor any committee thereof shall (i) except as required by law as advised by counsel, withdraw or modify, or propose publicly to withdraw or modify, in a manner adverse to IXC, the approval or recommendation by such Board of Directors or such committee of the Merger or this Agreement, (ii) approve or recommend, or propose publicly to approve or recommend, any CBI Takeover Proposal or (iii) cause CBI to enter into any letter of intent, agreement in principle, acquisition agreement or other similar agreement (each, a "CBI Acquisition Agreement") related to any CBI Takeover Proposal.

(c) In addition to the obligations of CBI set forth in paragraphs (a) and (b) of this Section 4.04, CBI shall immediately advise IXC orally and in writing of any request for information or of any CBI Takeover Proposal, the material terms and conditions of such request or CBI Takeover Proposal and the identity of the person making such request or CBI Takeover Proposal. CBI will keep IXC informed of the status and details (including amendments or proposed amendments) of any such request or CBI Takeover Proposal.

(d) Nothing contained in this Section 4.04 shall prohibit CBI from taking and disclosing to its shareholders a position contemplated by Rule 14d-9 or 14e-2 promulgated under the Exchange Act or from making any disclosure to CBI's shareholders if, in the good faith judgment of the Board of Directors of CBI, after consultation with outside counsel, failure so to disclose would be inconsistent with its obligations under applicable law; provided, however, that, subject to Section 4.03(b)(i), neither CBI nor its Board of Directors nor any committee thereof shall withdraw or modify, or propose publicly to withdraw or modify, its position with respect to this Agreement or the Merger or approve or recommend, or propose publicly to approve or recommend, a CBI Takeover Proposal.

ARTICLE V

Additional Agreements

SECTION 5.01. Preparation of the Form S-4 and Joint Proxy Statement; Stockholder Meetings. (a) As soon as practicable following the date of this Agreement, IXC and CBI shall prepare and file with the SEC the Joint Proxy Statement and IXC and CBI shall prepare and CBI shall file with the SEC the Form S-4, in which the Joint Proxy Statement will be included as a prospectus. Each of IXC and CBI shall use reasonable efforts to have the Form S-4 declared effective under the Securities Act as promptly as practicable after such filing and keep the Form S-4 effective for so long as necessary to complete the Merger. IXC will use all reasonable efforts to cause the Joint Proxy Statement to be mailed to IXC's stockholders, and CBI will use all reasonable efforts to cause the Joint Proxy Statement to be mailed to CBI's shareholders, in each case as promptly as practicable after the Form S-4 is declared effective under the Securities Act. CBI shall also take any action (other than qualifying to do business in any jurisdiction in which it is not now so qualified or to file a general consent to service of process) required to be taken under any applicable state securities laws in connection with the issuance of CBI Common Stock in the Merger and IXC shall furnish all information concerning IXC and the holders of capital stock of IXC as may be reasonably requested in connection with any such action. No filing of, or amendment or supplement to, or correspondence to the SEC or its staff with respect to, the Form S-4 will be made by CBI, or the Joint Proxy Statement will be made by CBI or IXC, without providing the other party a reasonable opportunity to review and comment thereon. CBI will advise IXC, promptly after it receives notice thereof, of the time when the Form S-4 has become effective or any supplement or amendment thereto has been filed, the issuance of any stop order, the suspension of the qualification of the CBI Common Stock issuable in connection with the Merger for offering or sale in any jurisdiction, or any request by the SEC for amendment of the Form S-4 or the Joint Proxy Statement or comments thereon and responses thereto or requests by the SEC for additional information and will, as promptly as practicable, provide to IXC copies of all correspondence and filings with the SEC with respect to the Form S-4. IXC will inform CBI, promptly after it receives notice thereof, of any request by the SEC for the amendment of the Joint Proxy Statement or comments thereon and responses thereto or requests by the SEC for additional information and will, as promptly as practicable, provide to CBI copies of all correspondence and filings with the SEC with respect to the

Joint Proxy Statement. If at any time prior to the Effective Time any information relating to IXC or CBI, or any of their respective Affiliates, directors or officers, should be discovered by IXC or CBI which should be set forth in an amendment or supplement to any of the Form S-4 or the Joint Proxy Statement, so that any of such documents would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the party which discovers such information shall promptly notify the other parties hereto and an appropriate amendment or supplement describing such information shall be promptly filed with the SEC and, to the extent required by law, disseminated to the shareholders of CBI and the stockholders of IXC. For purposes of Sections 3.01(f), 3.02(e) and 5.01, information concerning or related to CBI, its Subsidiaries or the CBI Shareholders Meeting will be deemed to have been provided by CBI, and information concerning or related to IXC, its Subsidiaries or the IXC Stockholders Meeting will be deemed to have been provided by IXC.

(b) IXC (i) shall, as soon as practicable following the date of this Agreement, establish a record date (which shall be as soon as practicable following the date of this Agreement) for, duly call, give notice of, convene and hold a meeting of its stockholders (the "IXC Stockholders Meeting") for the purpose of obtaining IXC Stockholder Approval and (ii) shall, through its Board of Directors, recommend to its stockholders the approval and adoption of this Agreement, the Merger and the other transactions contemplated hereby. Without limiting the generality of the foregoing but subject to its rights to terminate this Agreement pursuant to Section 7.01, IXC agrees that its obligations pursuant to the first sentence of this Section 5.01(b) shall not be affected by the commencement, public proposal, public disclosure or communication to IXC of any IXC Takeover Proposal.

(c) CBI (i) shall, as soon as practicable following the date of this Agreement, establish a record date (which shall be as soon as practicable following the date of this Agreement) for, duly call, give notice of, convene and hold a meeting of its shareholders (the "CBI Shareholders Meeting") for the purpose of obtaining CBI Shareholder Approval and (ii) shall, through its Board of Directors, recommend to its shareholders the approval of the matters referred to in Section 3.02(m). Without limiting the generality of the foregoing but subject to its rights to terminate this Agreement pursuant to Section 7.01, CBI agrees that its obligations pursuant to the first sentence

of this Section 5.01(c) shall not be affected by the commencement, public proposal, public disclosure or communication to CBI of any CBI Takeover Proposal.

(d) IXC and CBI will use all reasonable efforts to hold the IXC Stockholders Meeting and the CBI Shareholders Meeting on the same date and as soon as practicable after the date hereof.

SECTION 5.02. Letters of IXC's Accountants. IXC shall use reasonable efforts to cause to be delivered to CBI two letters from IXC's independent accountants, one dated a date within two Business Days before the date on which the Form S-4 shall become effective and one dated a date within two Business Days before the Closing Date, each addressed to CBI, in form and substance reasonably satisfactory to CBI and customary in scope and substance for comfort letters delivered by independent public accountants in connection with registration statements similar to the Form S-4.

SECTION 5.03. Letters of CBI's Accountants. CBI shall use reasonable efforts to cause to be delivered to IXC two letters from CBI's independent accountants, one dated a date within two Business Days before the date on which the Form S-4 shall become effective and one dated a date within two Business Days before the Closing Date, each addressed to IXC, in form and substance reasonably satisfactory to IXC and customary in scope and substance for comfort letters delivered by independent public accountants in connection with registration statements similar to the Form S-4.

SECTION 5.04. Access to Information; Confidentiality. Subject to the existing confidentiality agreement dated as of May 28, 1999 (the "Confidentiality Agreement"), between CBI and IXC, upon reasonable notice, each of CBI and IXC shall, and shall cause each of its respective Subsidiaries to, afford to the other party and to the officers, employees, accountants, counsel, financial advisors and other representatives of such other party, reasonable access during normal business hours during the period prior to the Effective Time to all their respective properties, books, contracts, commitments, personnel and records and, during such period, each of CBI and IXC shall, and shall cause each of its respective Subsidiaries to, furnish promptly to the other party (a) a copy of each report, schedule, registration statement and other document filed or received by it during such period pursuant to the requirements of Federal or state securities laws and (b) all other information concerning its business, properties and personnel as such other party may reasonably request. Neither CBI nor IXC shall be required to provide access to

or disclose information where such access or disclosure would contravene any applicable law, rule, regulation, order or decree or would, with respect to any pending matter, result in a waiver of the attorney-client privilege or the protection afforded attorney work-product. CBI and IXC shall use reasonable efforts to obtain from third parties any consents or waivers of confidentiality restrictions with respect to any such information being provided by it. No review pursuant to this Section 5.04 shall have an effect for the purpose of determining the accuracy of any representation or warranty given by either party hereto to the other party hereto. Each of CBI and IXC will hold, and will cause its respective officers, employees, accountants, counsel, financial advisors and other representatives and Affiliates to hold, any nonpublic information in accordance with the terms of the Confidentiality Agreement.

SECTION 5.05. Reasonable Efforts. (a) Upon the terms and subject to the conditions set forth in this Agreement, each of the parties agrees to use its reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the Merger and the other transactions contemplated by this Agreement, the Stockholders Agreements and the Option Agreements, including using reasonable efforts to accomplish the following: (i) the taking of all reasonable acts necessary to cause the conditions to Closing to be satisfied as promptly as practicable, (ii) the obtaining of all necessary actions or nonactions, waivers, consents and approvals from Governmental Entities and the making of all necessary registrations and filings (including filings with Governmental Entities, if any) and the taking of all reasonable steps as may be necessary to obtain an approval or waiver from, or to avoid an action or proceeding by any Governmental Entity, (iii) the obtaining of all necessary consents, approvals or waivers from third parties, (iv) the defending of any lawsuits or other legal proceedings, whether judicial or administrative, challenging this Agreement, the Stockholders Agreements or any of the Option Agreements or the consummation of the Merger or the other transactions contemplated by, and to fully carry out the purposes of, this Agreement, the Stockholders Agreements and the Option Agreements, including seeking to have any stay or temporary restraining order entered by any court or other Governmental Entity vacated or reversed and (v) the execution and delivery of any additional instruments necessary to consummate the Merger and the other transactions contemplated by, and to fully carry out the purposes

of, this Agreement, the Stockholders Agreements and the Option Agreements.

(b) In connection with and without limiting the foregoing, IXC and its Board of Directors and CBI and its Board of Directors shall make reasonable efforts to: (1) take all action necessary to ensure that no state takeover statute or similar statute or regulation is or becomes applicable to this Agreement, the Stockholders Agreements or any of the Option Agreements or the Merger or any of the other transactions contemplated by this Agreement, the Stockholders Agreements or any of the Option Agreements and (2) if any state takeover statute or similar statute becomes applicable to this Agreement, the Stockholders Agreements, any of the Option Agreements, the Merger or any other transactions contemplated by this Agreement, the Stockholders Agreements or any of the Option Agreements, take all action necessary to ensure that the Merger and the other transactions contemplated by this Agreement, the Stockholders Agreements and the Option Agreements may be consummated as promptly as practicable on the terms contemplated by this Agreement, the Stockholders Agreements and the Option Agreements and otherwise to minimize the effect of such statute or regulation on this Agreement, the Stockholders Agreements, the Option Agreements, the Merger and the other transactions contemplated by this Agreement, the Stockholders Agreements and the Option Agreements. Nothing in this Agreement shall be deemed to require CBI to agree to, or proffer to, divest or hold separate any assets or any portion of any business of CBI, IXC or any of their respective Subsidiaries if the Board of Directors of CBI determines that so doing would materially impair the benefit intended to be obtained by CBI in the Merger. Without limiting the generality of the foregoing, IXC shall give CBI the opportunity to participate in the defense of any litigation against IXC and/or its directors relating to the transactions contemplated by this Agreement, the Stockholders Agreements and the Option Agreements.

SECTION 5.06. IXC Stock Options and IXC Warrants. (a) As soon as practicable following the date of this Agreement, the Board of Directors of IXC (or, if appropriate, any committee administering IXC Stock Plans) shall adopt such resolutions or take such other actions as may be required to effect the following:

(i) adjust the terms of all outstanding IXC Stock Options, whether vested or unvested, as necessary to provide that, at the Effective Time, each IXC Stock Option outstanding immediately prior to the Effective Time shall be amended and converted into an option to

acquire, on the same terms and conditions as were applicable under IXC Stock Option, the number of shares of CBI Common Stock (rounded down to the nearest whole share) determined by multiplying the number of shares of IXC Common Stock subject to such IXC Stock Option by the Exchange Ratio, at a price per share of CBI Common Stock equal to (A) the aggregate exercise price for the shares of IXC Common Stock otherwise purchasable pursuant to such IXC Stock Option divided by (B) the aggregate number of shares of CBI Common Stock deemed purchasable pursuant to such IXC Stock Option (each, as so adjusted, an "Adjusted Option"); provided that such exercise price shall be rounded up to the nearest whole cent; and

(ii) make such other changes to IXC Stock Plans as CBI and IXC may agree are appropriate to give effect to the Merger.

(b) The adjustments provided herein with respect to any IXC Stock Options to which Section 421(a) of the Code applies shall be and are intended to be effected in a manner which is consistent with Section 424(a) of the Code.

(c) At the Effective Time, by virtue of the Merger and without the need of any further corporate action, each IXC Stock Option outstanding at the Effective Time shall be converted into an option relating to CBI Common Stock following the Effective Time so as to substitute CBI Common Stock for IXC Common Stock purchasable thereunder (subject to the adjustments required by this Section 5.06 after giving effect to the Merger). Prior to the Effective Time, CBI shall take all necessary actions (including, if required to comply with Section 162(m) of the Code (and the regulations thereunder) or applicable law or rule of Nasdaq, obtaining the approval of its shareholders at the next regularly scheduled annual meeting of CBI following the Effective Time) for the conversion of IXC Stock Options, including the reservation, issuance and listing of CBI Common Stock in a number at least equal to the number of shares of CBI Common Stock that will be subject to the Adjusted Options.

(d) As soon as practicable following the Effective Time, CBI shall prepare and file with the SEC a registration statement on Form S-8 (or another appropriate form) registering a number of shares of CBI Common Stock equal to the number of shares subject to the Adjusted Options. Such registration statement shall be kept effective (and the current status of the prospectus or prospectuses required thereby shall be maintained) at least

for so long as any Adjusted Options or any unsettled awards granted under IXC Stock Plans after the Effective Time may remain outstanding.

(e) As soon as practicable after the Effective Time, CBI shall deliver to the holders of IXC Stock Options appropriate notices setting forth such holders' rights pursuant to the respective IXC Stock Plans and the agreements evidencing the grants of such IXC Stock Options and that such IXC Stock Options and agreements shall be assumed by CBI and shall continue in effect on the same terms and conditions (subject to the adjustments required by this Section 5.06 after giving effect to the Merger and to vesting, if any, caused by the Merger).

(f) Except as otherwise expressly provided in this Section 5.06 and except to the extent required under the respective terms of IXC Stock Options, all restrictions or limitations on transfer and vesting with respect to IXC Stock Options awarded under IXC Stock Plans or any other plan, program or arrangement of IXC or any of its Subsidiaries, to the extent that such restrictions or limitations shall not have already lapsed, and all other terms thereof, shall remain in full force and effect with respect to such options after giving effect to the Merger and the assumption by CBI as set forth above.

(g) At the Effective Time, by virtue of the Merger and without the need for any further corporate action, each Warrant outstanding immediately prior to the Effective Time shall be automatically converted into an option or warrant to acquire, on the same terms and conditions as were applicable under such Warrant, the number of shares of CBI Common Stock (rounded down to the nearest whole share) determined by multiplying the number of shares of IXC Common Stock subject to such Warrant by the Exchange Ratio, at a price per share of CBI Common Stock equal to (A) the aggregate exercise price for shares of IXC Common Stock otherwise purchasable pursuant to such Warrant divided by (B) the aggregate number of shares of CBI Common Stock deemed purchasable pursuant to such Warrant; provided, however, that such exercise price shall be rounded up to the nearest whole cent.

SECTION 5.07. Employee Benefit Plans; Existing Agreements. (a) During the six-month period following the Effective Time (the "Transition Period"), CBI shall cause the Surviving Corporation to either maintain the benefit programs (other than equity-based arrangements) provided by IXC and its Subsidiaries before the Effective Time or replace all or any such programs with programs maintained

for similarly situated employees of CBI; provided that the aggregate level of benefits (other than equity-based arrangements) provided during the Transition Period shall be substantially similar to the aggregate level of benefits (other than equity-based arrangements) provided by IXC and its Subsidiaries before the Effective Time. To the extent that any plan of CBI or any of its Affiliates (a "CBI Plan") becomes applicable to any employee or former employee of IXC or its Subsidiaries, CBI shall grant, or cause to be granted, to such employees or former employees credit for their service with IXC and its Subsidiaries (and any of their predecessors) for the purpose of determining eligibility to participate and nonforfeitability of benefits under such CBI Plan and for purposes of benefit accrual under vacation and severance pay plans (but only to the extent such service was credited under similar plans of IXC and its Subsidiaries).

(b) With respect to any welfare benefit plan of CBI or its Affiliates made available to individuals who immediately prior to the Closing Date were employees of IXC or any of its Subsidiaries, CBI shall, or shall cause the Surviving Corporation to, waive any waiting periods, pre-existing condition exclusions and actively-at-work requirements to the extent such provisions were inapplicable immediately before such plan was made available and provide that any expenses incurred on or before the date such plan was made available by any such individual or such individual's covered dependents shall be taken into account for purposes of satisfying applicable deductible, coinsurance and maximum out-of-pocket provisions.

SECTION 5.08. Indemnification, Exculpation and Insurance. (a) CBI and Sub agree that all rights to indemnification and exculpation from liabilities for acts or omissions occurring at or prior to the Effective Time (and rights for advancement of expenses) now existing in favor of the current or former directors or officers of IXC or its Subsidiaries as provided in their respective certificates of incorporation or by-laws (or comparable organizational documents) and any indemnification or other agreements of IXC as in effect on the date hereof shall be assumed by the Surviving Corporation in the Merger, without further action, as of the Effective Time and shall survive the Merger and shall continue in full force and effect in accordance with their terms.

(b) In the event that the Surviving Corporation or any of its successors or assigns (i) consolidates with or merges into any other person and is not the continuing or surviving corporation or entity of such consolidation or

merger or (ii) transfers or conveys all or substantially all its properties and assets to any person, then, and in each such case, CBI shall cause proper provision to be made so that the successors and assigns of the Surviving Corporation assume the obligations set forth in this Section 5.08.

(c) For six years from and after the Effective Time, CBI shall maintain in effect IXC's current directors' and officers' liability insurance covering acts or omissions occurring prior to the Effective Time covering each person currently covered by IXC's directors' and officers' liability insurance policy on terms with respect to such coverage and amounts no less favorable than those of such policy in effect on the date hereof; provided that CBI may substitute therefor policies of CBI or its subsidiaries containing terms with respect to coverage and amount no less favorable to such directors or officers; provided, however, that in no event shall CBI be required to pay aggregate premiums for insurance under this Section 5.08(c) in excess of 200% of the amount of the aggregate premiums paid by IXC in 1998 on an annualized basis for such purpose; provided that CBI shall nevertheless be obligated to provide such coverage as may be obtained for such 200% amount.

(d) The provisions of this Section 5.08 (i) are intended to be for the benefit of, and will be enforceable by, each indemnified party, his or her heirs and his or her representatives and (ii) are in addition to, and not in substitution for, any other rights to indemnification or contribution that any such person may have by contract or otherwise.

SECTION 5.09. Fees and Expenses. (a) Except as provided in this Section 5.09, all fees and expenses incurred in connection with the Merger, this Agreement, the Stockholders Agreements, the Option Agreements and the transactions contemplated hereby and thereby shall be paid by the party incurring such fees or expenses, whether or not the Merger is consummated, except that each of CBI and IXC shall bear and pay one-half of (1) the costs and expenses incurred in connection with the filing, printing and mailing of the Form S-4 and the Joint Proxy Statement (including SEC filing fees) and (2) the filing fees for the premerger notification and report forms under the HSR Act.

(b) In the event that (1) an IXC Takeover Proposal shall have been made to IXC or any of its Subsidiaries or shall have been made directly to the stockholders of IXC generally or shall have otherwise become publicly known or any person shall have publicly announced an intention (whether or not conditional) to make an IXC

Takeover Proposal and thereafter this Agreement is terminated by either CBI or IXC pursuant to Section 7.01(b)(i) or (iii) or (2) this Agreement is terminated by CBI pursuant to Section 7.01(e), then IXC shall promptly, but in no event later than the date of such termination, pay CBI a fee equal to $105 million (the "Termination Fee"), payable by wire transfer of same day funds; provided, however, that no Termination Fee shall be payable to CBI pursuant to clause (1) of this paragraph (b) or pursuant to a termination by CBI pursuant to Section 7.01(e) unless and until within 12 months of such termination IXC or any of its Subsidiaries enters into any IXC Acquisition Agreement with respect to, or consummates, any IXC Takeover Proposal (for the purposes of the foregoing proviso the term "IXC Takeover Proposal" shall have the meaning assigned to such term in Section 4.03 except that references to "35%" in the definition of "IXC Takeover Proposal" in Section 4.03 as they relate to net revenues, net income or assets of IXC and its Subsidiaries, taken as a whole, shall be deemed to be references to "50%"), in which event the Termination Fee shall be payable upon the first to occur of such events. IXC acknowledges that the agreements contained in this Section 5.09(b) are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, CBI would not enter into this Agreement; accordingly, if IXC fails promptly to pay the amount due pursuant to this Section 5.09(b), and, in order to obtain such payment, CBI commences a suit which results in a judgment against IXC for the fee set forth in this Section 5.09(b), IXC shall pay to CBI its costs and expenses (including attorneys' fees and expenses) in connection with such suit, together with interest on the amount of the fee at the prime rate of Citibank, N.A. in effect on the date such payment was required to be made.

(c) In the event that (1) a CBI Takeover Proposal shall have been made to CBI or any of its Subsidiaries or shall have been made directly to the shareholders of CBI generally or shall have otherwise become publicly known or any person shall have publicly announced an intention (whether or not conditional) to make a CBI Takeover Proposal and thereafter this Agreement is terminated by either CBI or IXC pursuant to Section 7.01(b)(i) or (ii) or (2) this Agreement is terminated by IXC pursuant to Section 7.01(f), then CBI shall promptly, but in no event later than the date of such termination, pay IXC the Termination Fee, payable by wire transfer of same day funds; provided, however, that no Termination Fee shall be payable to IXC pursuant to clause (1) of this paragraph (c) or pursuant to a termination by IXC pursuant to Section 7.01(f) unless and until within 12 months of such termination CBI or any of its

Subsidiaries enters into any CBI Acquisition Agreement with respect to, or consummates, any CBI Takeover Proposal (for the purposes of the foregoing proviso the term "CBI Takeover Proposal" shall have the meaning assigned to such term in Section 4.04 except that references to "35%" in the definition of "CBI Takeover Proposal" in Section 4.04 as they relate to net revenues, net income or assets of CBI and its Subsidiaries, taken as a whole, shall be deemed to be references to "50%"), in which event the Termination Fee shall be payable upon the first to occur of such events. CBI acknowledges that the agreements contained in this Section 5.09(c) are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, IXC would not enter into this Agreement; accordingly, if CBI fails promptly to pay the amount due pursuant to this Section 5.09(c), and, in order to obtain such payment, IXC commences a suit which results in a judgment against CBI for the fee set forth in this Section 5.09(c), CBI shall pay to IXC its costs and expenses (including attorneys' fees and expenses) in connection with such suit, together with interest on the amount of the fee at the prime rate of Citibank, N.A. in effect on the date such payment was required to be made.

SECTION 5.10. Public Announcements. Promptly after the date hereof, CBI and IXC will develop a joint communications plan and each party hereto shall use all reasonable best efforts to ensure that all press releases and other public statements with respect to the transactions contemplated by this Agreement, including the Merger, the Stockholders Agreements and the Option Agreements shall be consistent with such joint communications plan. CBI and IXC will consult with each other before issuing any press release or otherwise making any written public statement with respect to the transactions contemplated by this Agreement, including the Merger, the Stockholders Agreements and the Option Agreements, and shall not issue any such press release or make any such written public statement prior to such consultation, except as either party may determine is required by applicable law or by obligations pursuant to any listing agreement with any national securities exchange or national trading system. The parties agree that the initial press release to be issued with respect to the transactions contemplated by this Agreement, the Stockholders Agreements and the Option Agreements shall be in the form heretofore agreed to by the parties.

SECTION 5.11. Affiliates. IXC shall deliver to CBI at least 30 days prior to the Closing Date a letter identifying all persons who are, at the time this Agreement is submitted for adoption by the stockholders of IXC,

"affiliates" of IXC for purposes of Rule 145 under the Securities Act and applicable SEC rules and regulations. IXC shall use reasonable efforts to cause each such person to deliver to CBI at least 30 days prior to the Closing Date a written agreement substantially in the form attached as Exhibit A hereto.

SECTION 5.12. Stock Exchange Listings. (a) CBI shall use reasonable efforts to cause the CBI Common Stock issuable in the Merger and pursuant to the CBI Stock Option Agreement to be approved for listing on the NYSE and the CSE, subject to official notice of issuance, as promptly as practicable after the date hereof, and in any event prior to the Closing Date.

(b) IXC shall use reasonable efforts to cause the IXC Common Stock issuable pursuant to the IXC Stock Option Agreement to be approved for quotation on Nasdaq, subject to official notice of issuance, as promptly as practicable after the date hereof, and in any event prior to the Closing Date.

(c) IXC shall use reasonable best efforts to cause the IXC 7¼% Preferred Stock, the IXC 6¾% Preferred Stock and the IXC 12½% Preferred Stock to be approved for quotation on Nasdaq, subject to official notice of issuance, as promptly as practicable after the date hereof, and in any event prior to the record date for the IXC Stockholders Meeting.

SECTION 5.13. Tax Treatment. Each of CBI and IXC shall use reasonable efforts to cause the Merger to qualify as a reorganization under the provisions of Section 368 of the Code and to obtain the opinions of counsel referred to in Section 6.03(c), including the execution of the letters of representation referred to therein.

SECTION 5.14. Further Assurances. IXC shall deliver, or shall cause to be delivered, if required by the terms of any note, indenture, credit agreement, warrant or other financing instrument or preferred stock, as promptly as possible after the date hereof but in no event less than 15 days prior to the Effective Time, any notice of the Merger or the transactions contemplated by this Agreement.

SECTION 5.15. IXC Rights Agreement. The Board of Directors of IXC shall take all further action (in addition to that referred to in Section 3.01(s)) necessary or desirable (including redeeming IXC Rights immediately prior to the Effective Time or amending the IXC Rights Agreement if reasonably requested by CBI) in order to render the IXC

Rights inapplicable to the Merger and to the other transactions contemplated by this Agreement, the Stockholders Agreements and the Option Agreements to the extent provided herein. Except as provided above with respect to the Merger and the other transactions contemplated by this Agreement, the Stockholders Agreements and the Option Agreements, until the date following the IXC Stockholders Meeting, the Board of Directors of IXC shall not, without the prior written consent of CBI, (a) amend the IXC Rights Agreement or (b) take any action with respect to, or make any determination under, the IXC Rights Agreement, including a redemption of the IXC Rights or any action to facilitate an IXC Takeover Proposal.

SECTION 5.16. CBI Rights Agreement. The Board of Directors of CBI shall take all further action (in addition to that referred to in Section 3.02(s)) necessary or desirable (including redeeming CBI Rights immediately prior to the Effective Time or amending the CBI Rights Agreement if reasonably requested by IXC) in order to render the CBI Rights inapplicable to the Merger and the other transactions contemplated by this Agreement, the Stockholders Agreements and the Option Agreements to the extent provided herein. Except as provided above with respect to the Merger and the other transactions contemplated by this Agreement, the Stockholders Agreements and the Option Agreements, until the date following the CBI Shareholders Meeting, the Board of Directors of CBI shall not, without the prior written consent of IXC, (a) amend the CBI Rights Agreement (other than any amendment made in connection with an acquisition by CBI of any assets or voting securities of another person) or (b) take any action with respect to, or make any determination under, the CBI Rights Agreement, including a redemption of the CBI Rights or any action to facilitate a CBI Takeover Proposal.

SECTION 5.17. Transfer Taxes. All stock transfer, real estate transfer, documentary, stamp, recording and other similar taxes (including interest, penalties and additions to any such taxes) incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by IXC.

SECTION 5.18. Stockholders Agreements Legend. IXC will inscribe upon any certificate representing Subject Shares (as defined in the Stockholders Agreements) tendered by a Stockholder (as defined in the Stockholders Agreements) in connection with any proposed transfer of any Subject Shares by such Stockholder in accordance with the terms of the Stockholders Agreements the following legend: "THE SHARES OF COMMON STOCK, PAR VALUE $.01, PER SHARE, OF IXC

COMMUNICATIONS, INC., REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A STOCKHOLDERS AGREEMENT DATED AS OF JULY 20, 1999, AND ARE SUBJECT TO THE TERMS THEREOF. COPIES OF SUCH AGREEMENT MAY BE OBTAINED AT THE PRINCIPAL EXECUTIVE OFFICES OF IXC COMMUNICATIONS, INC."; and IXC will return such certificate containing such inscription to such Stockholder within three business days following IXC's receipt thereof.

ARTICLE VI

Conditions Precedent

SECTION 6.01. Conditions to Each Party's Obligation to Effect the Merger. The respective obligation of each party to effect the Merger is subject to the satisfaction or waiver on or prior to the Closing Date of the following conditions:

(a) Stockholder Approvals. Each of the IXC Stockholder Approval and the CBI Shareholder Approval shall have been obtained.

(b) HSR Act. The waiting period (and any extension thereof) applicable to the Merger under the HSR Act shall have been terminated or shall have expired.

(c) FCC and PUC Approvals. All consents, approvals or orders of authorization of, or actions by the FCC and all necessary state PUC approvals shall have been obtained.

(d) No Litigation. No judgment, order, decree, statute, law, ordinance, rule or regulation, entered, enacted, promulgated, enforced or issued by any court or other Governmental Entity of competent jurisdiction or other legal restraint or prohibition (collectively, "Restraints") shall be in effect, and there shall not be pending or threatened any suit, action or proceeding by any Governmental Entity (i) preventing the consummation of the Merger or (ii) which otherwise is reasonably likely to have a Material Adverse Effect on IXC or CBI, as applicable; provided, however, that each of the parties shall have used its reasonable efforts to prevent the entry of any such Restraints and to appeal as promptly as possible any such Restraints that may be entered.

(e) Form S-4. The Form S-4 shall have become effective under the Securities Act and shall not be the subject of any stop order or proceedings seeking a stop order.

(f) Stock Exchange Listings. The shares of CBI Common Stock issuable to IXC's stockholders as contemplated by this Agreement shall have been approved for listing on the NYSE, subject to official notice of issuance.

(g) Equity Investment. CBI shall have received $400 million pursuant to the terms of the Investment Agreement.

SECTION 6.02. Conditions to Obligations of CBI and Sub. The obligation of CBI and Sub to effect the Merger is further subject to satisfaction or waiver of the following conditions:

(a) Representations and Warranties. The representations and warranties of IXC set forth herein that are qualified as to materiality shall be true and correct, and those that are not so qualified shall be true and correct in all material respects, in each case as of the date hereof and as of the Closing Date, with the same effect as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such date). CBI shall have received a certificate signed on behalf of IXC by the chief executive officer of IXC to such effect.

(b) Performance of Obligations of IXC. IXC shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date. CBI shall have received a certificate signed on behalf of IXC by the chief executive officer of IXC to such effect.

SECTION 6.03. Conditions to Obligations of IXC. The obligation of IXC to effect the Merger is further subject to satisfaction or waiver of the following conditions:

(a) Representations and Warranties. The representations and warranties of CBI and Sub set forth herein that are qualified as to materiality shall be true and correct, and those that are not so qualified shall be true and correct in all material respects, in each case as of the date hereof and as of the Closing Date, with the same effect as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such date). IXC shall have received a certificate signed on behalf of CBI by the chief executive officer of CBI to such effect.

(b) Performance of Obligations of CBI and Sub. CBI and Sub shall have performed in all material respects all obligations required to be performed by them under this Agreement at or prior to the Closing Date. IXC shall have received a certificate signed on behalf of CBI by the chief executive officer of CBI to such effect.

(c) Tax Opinion. IXC shall have received from Riordan & McKinzie, counsel to IXC, on the date on which the Form S-4 is filed with the SEC and on the Closing Date, an opinion, in each case dated as of such respective date and to the effect that: (i) the Merger will qualify for U.S. Federal income tax purposes as a "reorganization" within the meaning of Section 368(a) of the Code and (ii) IXC, CBI and Sub will each be a "party to a reorganization" within the meaning of Section 368(b) of the Code. The issuance of such opinion shall be conditioned upon the receipt by such tax counsel of representation letters from each of IXC and CBI in substantially the same form as Exhibits C and D, respectively. The opinion shall be in substantially the same form as Exhibit E.

SECTION 6.04. Frustration of Closing Conditions. None of CBI, Sub or IXC may rely on the failure of any condition set forth in Section 6.01, 6.02 or 6.03, as the case may be, to be satisfied if such failure was caused by such party's failure to use its reasonable efforts to consummate the Merger and the other transactions contemplated by this Agreement, the Stockholders Agreements and the Option Agreements, as required by and subject to Section 5.05.

ARTICLE VII

Termination, Amendment and Waiver

SECTION 7.01. Termination. This Agreement may be terminated at any time prior to the Effective Time, whether before or after the CBI Shareholder Approval or the IXC Stockholder Approval:

(a) by mutual written consent of CBI and IXC;

(b) by either CBI or IXC:

(i) if the Merger shall not have been consummated by April 30, 2000; provided, however, that if on such date the condition to the Closing set forth in Section 6.01(c) shall not have been satisfied, then either CBI or IXC may cause such

date to be extended to July 31, 2000, upon delivery of written notice to the other party; provided further, however, that the right to terminate this Agreement pursuant to this Section 7.01(b)(i) shall not be available to any party whose failure to perform any of its obligations under this Agreement results in the failure of the Merger to be consummated by such time;

(ii) if the CBI Shareholder Approval shall not have been obtained at a CBI Shareholders Meeting duly convened therefor or at any adjournment or postponement thereof;

(iii) if the IXC Stockholder Approval shall not have been obtained at an IXC Stockholders Meeting duly convened therefor or at any adjournment or postponement thereof; or

(iv) if any Restraint having any of the effects set forth in Section 6.01(d) shall be in effect and shall have become final and nonappealable; provided that the party seeking to terminate this Agreement pursuant to this Section 7.01(b)(iv) shall have used reasonable efforts to prevent the entry of and to remove such Restraint;

(c) by CBI, if IXC shall have breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform (A) would give rise to the failure of a condition set forth in Section 6.02(a) or (b) and (B) has not been or is incapable of being cured by IXC within 30 calendar days after its receipt of written notice from CBI;

(d) by IXC, if CBI shall have breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform (A) would give rise to the failure of a condition set forth in Section 6.03(a) or (b) and (B) has not been or is incapable of being cured by CBI within 30 calendar days after its receipt of written notice from IXC;

(e) by CBI, if IXC or any of its directors or officers shall participate in discussions or negotiations in breach of Section 4.03; or

(f) by IXC, if CBI or any of its directors or officers shall participate in discussions or negotiations in breach of Section 4.04.

SECTION 7.02. Effect of Termination. In the event of termination of this Agreement by either IXC or CBI as provided in Section 7.01, this Agreement shall forthwith become void and have no effect, without any liability or obligation on the part of CBI or IXC, other than the provisions of Section 3.01(p), Section 3.02(n), the last sentence of Section 5.04, Section 5.09, this Section 7.02 and Article VIII, which provisions survive such termination, and except to the extent that such termination results from the wilful and material breach by a party of any of its representations, warranties, covenants or agreements set forth in this Agreement. If this Agreement is terminated under circumstances in which a party is entitled to receive the Termination Fee, the payment of such Termination Fee shall be the sole and exclusive remedy available to such party, except if there shall have been a wilful breach by the other party of Section 4.03 or Section 4.04, as the case may be.

SECTION 7.03. Amendment. This Agreement may be amended by the parties at any time before or after the IXC Stockholder Approval or the CBI Shareholder Approval; provided, however, that after any such approval, there shall not be made any amendment that by law requires further approval by the stockholders of IXC or further approval of the shareholders of CBI without the further approval of such stockholders or shareholders. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties.

SECTION 7.04. Extension; Waiver. At any time prior to the Effective Time, a party may (a) extend the time for the performance of any of the obligations or other acts of the other parties, (b) waive any inaccuracies in the representations and warranties of the other parties contained in this Agreement or in any document delivered pursuant to this Agreement or (c) subject to the proviso of Section 7.03, waive compliance by the other party with any of the agreements or conditions contained in this Agreement. Any agreement on the part of a party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. The failure of any party to this Agreement to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of such rights.

ARTICLE VIII

General Provisions

SECTION 8.01. Nonsurvival of Representations and Warranties. None of the representations, warranties, covenants or agreements in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Effective Time. This Section 8.01 shall not limit any covenant or agreement of the parties which by its terms contemplates performance after the Effective Time.

SECTION 8.02. Notices. All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be deemed given if delivered personally, telecopied (which is confirmed) or sent by overnight courier (providing proof of delivery) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to CBI or Sub, to

Cincinnati Bell Inc.
201 E. Fourth Street, 102-1900
P.O. Box 2301
Cincinnati, Ohio 45201-2301

Telecopy No.: (513) 397-9557

Attention: General Counsel

with a copy to:

Cravath, Swaine & Moore
Worldwide Plaza
825 Eighth Avenue
New York, NY 10019

Telecopy No.: (212) 474-3700

Attention: Robert A. Kindler, Esq.
Robert I. Townsend, III, Esq.;
and

(b) if to IXC, to

IXC Communications, Inc.
1122 Capital of Texas Highway South
Austin, Texas 78746-6426

Telecopy No.: (512) 328-7902

Attention: General Counsel

with a copy to:

Riordan & McKinzie
695 Town Center Drive
Suite 1500
Costa Mesa, CA 92626

Telecopy No.: (714) 549-3244

Attention: Michael P. Whalen, Esq.

SECTION 8.03. Definitions. For purposes of this Agreement:

(a) an "Affiliate" of any person means another person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first person, where "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person, whether through the ownership of voting securities, by contract, as trustee or executor, or otherwise;

(b) "Business Day" means any day other than Saturday, Sunday or any other day on which banks are legally permitted to be closed in New York;

(c) "Knowledge" of any person that is not an individual means, with respect to any specific matter, the knowledge of such person's executive officers and other officers having primary responsibility for such matter;

(d) "Material Adverse Change" or "Material Adverse Effect" means, when used in connection with IXC or CBI, any change, effect, event, occurrence, condition, development or state of facts that is materially adverse to the business, assets, results of operations, condition (financial or otherwise) or prospects of such party (or the Surviving Corporation when used with respect to IXC) and its Subsidiaries, taken as a whole, other than any change, effect, event, occurrence, condition, development or state of facts (i) relating to the economy or securities markets in general, (ii) relating to the industries in which such party operates in general and not specifically relating to such party, (iii) resulting from the announcement or

anticipated consummation of the transactions contemplated by this Agreement, the Stockholders Agreements, the Option Agreements, and the transactions contemplated by this Agreement, or (iv) arising from a change in generally accepted accounting principles.

(e) "person" means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other entity; and

(f) a "Subsidiary" of any person means another person, an amount of the voting securities, other voting ownership or voting partnership interests of which is sufficient to elect at least a majority of its Board of Directors or other governing body (or, if there are no such voting interests, 50% or more of the equity interests of which) is owned directly or indirectly by such first person.

SECTION 8.04. Interpretation. When a reference is made in this Agreement to an Article, Section or Exhibit, such reference shall be to an Article or Section of, or an Exhibit to, this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation". The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. Any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and references to all attachments thereto and instruments incorporated therein. References to a person are also to its permitted successors and assigns. Terms used herein that are defined under GAAP are used herein as so defined.

SECTION 8.05. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

SECTION 8.06. Entire Agreement; No Third-Party Beneficiaries. This Agreement (including the documents and instruments referred to herein), the Option Agreements, the Stockholders Agreements and the Confidentiality Agreement (a) constitute the entire agreement, and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement and (b) except for the provisions of Article II, Section 5.06 and Section 5.08, are not intended to confer upon any person other than the parties any rights or remedies.

SECTION 8.07. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflict of laws thereof, except to the extent the laws of the State of Ohio are mandatorily applicable for the rights of CBI shareholders and directors and corporate governance matters.

SECTION 8.08. Assignment. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by operation of law or otherwise by either of the parties hereto without the prior written consent of the other party. Any assignment in violation of the preceding sentence shall be void. Subject to the preceding two sentences, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

SECTION 8.09. Enforcement. The parties agree that irreparable damage would occur and that the parties would not have any adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any Federal court located in the State of Delaware or in Delaware state court, this being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the parties hereto (a) consents to submit itself to the personal

jurisdiction of any Federal court located in the State of Delaware or any Delaware state court in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, and (c) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than a Federal court sitting in the State of Delaware or a Delaware state court.

SECTION 8.10. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible to the fullest extent permitted by applicable law in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

SECTION 8.11. Additional Agreement of IXC. IXC agrees that (a) promptly after the date hereof, it will form a wholly owned subsidiary and enter into a merger agreement with such subsidiary in a form satisfactory to CBI, including the terms set forth in Section 8.11 to the IXC Disclosure Schedule and (b) it will submit such merger agreement for approval of stockholders of IXC at the IXC Stockholders Meeting.

IN WITNESS WHEREOF, CBI, Sub and IXC have caused this Agreement to be signed by their respective officers thereunto duly authorized, all as of the date first written above.

CINCINNATI BELL INC.

by

_____

Name:
Title:

IVORY MERGER INC.,

by

_____

Name:
Title:

IXC COMMUNICATIONS, INC.,

by _____

Name:
Title:

IN WITNESS WHEREOF, CBI, Sub and IXC have caused this Agreement to be signed by their respective officers thereunto duly authorized, all as of the date first written above.

CINCINNATI BELL INC.

by _____

Name:
Title:

IVORY MERGER INC.,

by _____

Name:
Title:

IXC COMMUNICATIONS, INC.,

by _____

Name:
Title:

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Form of Affiliate Letter

Ladies and Gentlemen:

The undersigned, a holder of shares of common stock, par value $.01 per share ("IXC Common Stock"), of [IXC], a Delaware corporation ("IXC"), acknowledges that the undersigned may be deemed an "affiliate" of IXC within the meaning of Rule 145 ("Rule 145") promulgated under the Securities Act of 1933, as amended (the "Securities Act"), by the Securities and Exchange Commission (the "SEC"), although nothing contained herein should be construed as an admission of either such fact. Pursuant to the terms of the Agreement and Plan of Merger dated as of July 20, 1999 (the "Merger Agreement"), among Cincinnati Bell Inc., an Ohio corporation ("CBI"), Ivory Merger Inc., a Delaware corporation and wholly owned subsidiary of CBI ("Sub") and IXC Communications, Inc., the undersigned is entitled to receive in connection with the consummation of the transactions contemplated by the Merger Agreement common stock, par value $.01 per share ("CBI Common Stock"), of CBI.

If in fact the undersigned were an affiliate under the Securities Act, the undersigned's ability to sell, assign or transfer the CBI Common Stock received by the undersigned in exchange for any shares of IXC Common Stock in connection with the transactions contemplated by the Merger Agreement may be restricted unless such transaction is registered under the Securities Act or an exemption from such registration is available. The undersigned understands that such exemptions are limited and the undersigned has obtained or will obtain advice of counsel as to the nature and conditions of such exemptions, including information with respect to the applicability to the sale of such securities of Rules 144 and 145(d) promulgated under the Securities Act. The undersigned understands that CBI will not be required to maintain the effectiveness of any registration statement under the Securities Act for the purposes of resale of CBI Common Stock by the undersigned.

The undersigned hereby represents to and covenants with CBI that the undersigned will not sell, assign or transfer the CBI Common Stock received by the undersigned in exchange for shares of IXC Common Stock in the Merger except (i) pursuant to an effective registration statement under the Securities Act, (ii) in conformity with the volume and other limitations of Rule 145 or (iii) in a transaction which, in the opinion of counsel reasonably satisfactory to

CBI or as described in a "no-action" or interpretive letter from the Staff of the SEC specifically issued with respect to a transaction to be engaged in by the undersigned, is not required to be registered under the Securities Act.

In the event of a sale or other disposition by the undersigned of CBI Common Stock pursuant to Rule 145, the undersigned will supply CBI with evidence of compliance with such rule, in the form of a letter in the form of Annex I hereto and the opinion of counsel or no-action letter referred to above. The undersigned understands that CBI may instruct its transfer agent to withhold the transfer of any CBI Common Stock disposed of by the undersigned, but that (provided such transfer is not prohibited by any other provision of this letter agreement) upon receipt of such evidence of compliance, CBI shall cause the transfer agent to effectuate the transfer of the CBI Common Stock sold as indicated in such letter.

CBI covenants that it will comply with the informational requirements under the Rule 144(c), or any successor provision thereto, and will take all such other actions as may be reasonably available to it to permit the sale or other disposition of CBI Common Stock by the undersigned under Rule 145 in accordance with the terms thereof.

The undersigned acknowledges and agrees that legends to the effect set forth below will be placed on certificates representing CBI Common Stock received by the undersigned in connection with the transactions contemplated by the Merger Agreement or held by a transferee thereof, which legends will be removed by delivery of substitute certificates upon receipt of an opinion in form and substance reasonably satisfactory to CBI from counsel reasonably satisfactory to CBI to the effect that such legends are no longer required for purposes of the Securities Act.

> "The shares represented by this certificate were issued pursuant to a business combination in a transaction to which Rule 145 promulgated under the Securities Act of 1933 applies. The shares have not been acquired by the holder with a view to, or for resale in connection with, any distribution thereof within the meaning of the Securities Act of 1933. The shares may not be sold, pledged or otherwise transferred except in accordance with an exemption from the registration requirements of the Securities Act of 1933."

The undersigned acknowledges that (i) the undersigned has carefully read this letter and understands the requirements hereof and the limitations imposed upon the distribution, sale, transfer or other disposition of CBI Common Stock and (ii) the receipt by CBI of this letter is an inducement to its obligations to consummate the transactions contemplated by the Merger Agreement.

This Agreement shall only become effective as of the Effective Time of the Merger under the Merger Agreement.

Very truly yours,

Dated:

ANNEX I
TO EXHIBIT A

[Name] [Date]

On _____, the undersigned sold the securities of Cincinnati Bell Inc., an Ohio corporation ("CBI"), described below in the space provided for that purpose (the "Securities"). The Securities were received by the undersigned in connection with the consummation of the transactions described in that certain Plan and Agreement of Merger dated as of July 20, 1999, among IXC Communications, Inc., a Delaware corporation, CBI and Ivory Merger Inc., a Delaware corporation and a wholly owned subsidiary of CBI ("Sub").

Based upon the most recent report or statement filed by CBI with the Securities and Exchange Commission, the Securities sold by the undersigned were within the prescribed limitations set forth in paragraph (e) of Rule 144 promulgated under the Securities Act of 1933, as amended (the "Securities Act").

The undersigned hereby represents that the Securities were sold in "brokers' transactions" within the meaning of Section 4(4) of the Securities Act or in transactions directly with a "market maker" as that term is defined in Section 3(a)(38) of the Securities Exchange Act of 1934, as amended. The undersigned further represents that the undersigned has not solicited or arranged for the solicitation of orders to buy the Securities, and that the undersigned has not made any payment in connection with the offer or sale of the Securities to any person other than to the broker who executed the order in respect of such sale.

Very truly yours,

[Space to be provided for description of the Securities]

EXHIBIT B
TO THE MERGER AGREEMENT

Corporate Governance of CBI Following the Effective Time

Name	Class
Richard D. Irwin	I
John M. Zrno	II
J. Taylor Crandall	III

EXHIBIT C
TO THE MERGER AGREEMENT

[Letterhead of IXC]

[ ], 1999

[Counsel to IXC]

Ladies and Gentlemen:

In connection with the opinion to be delivered pursuant to Section 6.03(c) of the Agreement and Plan of Merger (the "Merger Agreement") dated as of July 20, 1999, among Cincinnati Bell Inc., an Ohio corporation ("CBI"), Ivory Merger Inc., a Delaware corporation and a wholly owned subsidiary of CBI (the "Sub"), and IXC Communications, Inc., a Delaware corporation ("IXC"), whereby Sub will be merged with and into IXC (the "Merger"), with IXC becoming the "Surviving Corporation", and in connection with the filing with the Securities and Exchange Commission (the "SEC") of the registration statement on Form S-4 (the "Registration Statement"), which includes the Joint Proxy Statement of CBI and IXC, each as amended or supplemented through the date hereof, the undersigned certifies and represents on behalf of IXC, after due inquiry and investigation, as follows (any capitalized term used but not defined herein having the meaning given to such term in the Merger Agreement):

1. The facts relating to the Merger as described in the Merger Agreement, Registration Statement and the other documents described in the Registration Statement are, insofar as such facts pertain to IXC, true, correct and complete in all material respects. The Merger will be consummated in accordance with the Merger Agreement.

2. The formula set forth in the Merger Agreement pursuant to which each issued and outstanding share of IXC's: (i) common stock, par value $.01 per share, (the "IXC Common Stock") will be converted into 2.0975 fully paid and

nonassessable shares of common stock, par value $.01 per share, of CBI ("CBI Common Stock"), (ii) 7¼% Junior Convertible Preferred Stock Due 2007, par value $.01 per share (the "IXC 7¼% Preferred Stock"), will be converted into one fully paid and nonassessable share of voting 7¼% Junior Convertible Preferred Stock Due 2007, par value $.01 per share, of CBI (the "CBI 7¼% Preferred Stock") and (iii) 6¾% Cumulative Convertible Preferred Stock, par value $.01 per share (the "IXC 6¾% Preferred Stock" and, together with the IXC Common Stock and the IXC 7¼% Preferred Stock, the "IXC Stock"), will be converted into one fully paid and nonassessable share of voting 6¾% Cumulative Convertible Preferred Stock, par value $.01 per share, of CBI (the "CBI 6¾% Preferred Stock" and, together with the CBI Common Stock and the CBI 7¼% Preferred Stock, the "CBI Stock") is the result of arm's length bargaining.

3. In the Merger, shares of IXC Stock representing at least 80 percent of the total combined voting power of all classes of IXC stock entitled to vote and at least 80 percent of the total number of shares of all other classes of IXC stock will be exchanged solely for CBI voting stock. For purposes of this representation, shares of IXC stock exchanged for cash or other property furnished, directly or indirectly, by CBI will be treated as outstanding IXC stock on the Closing Date. No shares or other securities of IXC will be issued to the shareholders of IXC pursuant to the Merger, although prior to the Effective Time the terms of the 12½% Junior Exchangeable Preferred Stock Due 2009, par value $.01 per share, of IXC (the "12½% Preferred Stock") will be amended to provide holders of the 12½% Preferred Stock with voting rights. Following the Merger, the Surviving Corporation has no plan or intention to issue additional shares of its stock that would result in CBI failing to own after the Merger, directly or indirectly, at least 80 percent of the total combined voting power of all classes of Surviving Corporation stock entitled to vote and at least 80 percent of the total number of shares of all other classes of Surviving Corporation stock. To the best knowledge of the management of IXC, CBI has no plan or intention to sell, transfer or dispose of any stock of the Surviving Corporation or to cause the Surviving Corporation to issue additional shares of its stock that would in either case result in CBI failing to own after the Merger, directly or indirectly, at least 80 percent of the total combined voting power of all classes of Surviving Corporation stock entitled to vote and at least 80 percent of the total number of shares of all other classes of Surviving Corporation stock.

4. If cash payments are made to holders of IXC Common Stock in lieu of fractional shares of CBI Common Stock that would otherwise be issued to such holders in the Merger, such payments will be made for the purpose of saving CBI the expense and inconvenience of issuing and transferring fractional shares of CBI Common Stock and will not represent separately bargained-for consideration. To the best knowledge of the management of IXC, the total cash consideration that will be paid in the Merger to holders of IXC Common Stock in lieu of fractional shares of CBI Common Stock will not exceed one percent of the total consideration that will be issued in the Merger to the IXC shareholders in exchange for their shares of IXC Stock.

5. (i) Neither IXC nor any corporation related to IXC (as defined in Treasury Regulation Section 1.368-1(e)) has acquired or has any plan or intention to acquire any IXC stock in contemplation of the Merger, or otherwise as part of a plan of which the Merger is a part.

(ii) IXC is not aware of any plan or intention on the part of CBI to acquire or redeem any of the CBI Stock issued in the Merger, either directly or through any transaction, agreement or arrangement with any other person. IXC has no plan or intention, nor is IXC aware of any plan or intention on the part of any person related to CBI (as defined in Treasury Regulation Section 1.368-1(e)), to acquire or redeem any of the CBI Stock issued in the Merger, either directly or through any transaction, agreement or arrangement with any other person. For purposes of this representation letter, a person is considered to own or acquire stock owned or acquired (as the case may be) by a partnership in which such person is a partner in proportion to such person's interest in the partnership.

6. IXC has not made, and does not have any plan or intention to make, any distributions prior to, in contemplation of or otherwise in connection with, the Merger (other than dividends made in the ordinary course of business).

7. Except as otherwise specifically contemplated under the Merger Agreement, neither IXC nor the Surviving Corporation has any plan or intention to acquire, redeem, exchange or alter the terms of the 12½% Preferred Stock. To the best knowledge of the management of IXC, neither CBI nor any corporation related to CBI (as defined in Treasury Regulation Section 1.368-1(e)) has any plan or intention to acquire, or to cause the Surviving Corporation to acquire, redeem, exchange or alter the terms of, the 12½% Preferred Stock.

8. Immediately following the Merger, the Surviving Corporation will hold (i) at least 90 percent of the fair market value of the net assets and at least 70 percent of the fair market value of the gross assets that were held by IXC immediately prior to the Merger and (ii) at least 90 percent of the fair market value of the net assets and at least 70 percent of the fair market value of the gross assets that were held by Sub immediately prior to the Merger. For purposes of this representation, amounts paid to stockholders who receive cash or other property (including cash in lieu of fractional shares of CBI Common Stock) derived directly or indirectly from IXC in connection with the Merger, assets of IXC used to pay its reorganization expenses (including transfer taxes, if any) and all redemptions and distributions made by IXC (other than dividends made in the ordinary course of business) immediately preceding, or in contemplation of, the Merger will be included as assets held by IXC immediately prior to the Merger.

9. IXC is not aware of any plan or intention on the part of CBI to, following the Merger, liquidate the Surviving Corporation, merge the Surviving Corporation with or into another corporation in which the Surviving Corporation is not the survivor, sell or otherwise dispose of shares of the Surviving Corporation, cause the Surviving Corporation to distribute to CBI or any of its subsidiaries any assets of the Surviving Corporation or the proceeds of any borrowings incurred by the Surviving Corporation or cause the Surviving Corporation to sell or otherwise dispose of any of its assets, or any of the assets of Sub acquired by the Surviving Corporation in the Merger, except for dispositions made in the ordinary course of business and transfers of assets permitted under Section 368(a)(2)(C) of the Code or Treasury Regulation Section 1.368-1(d) or 1.368-2(k).

10. Except as otherwise specifically contemplated under the Merger Agreement, IXC will pay its expenses, if any, incurred in connection with the Merger. IXC has neither paid (directly or indirectly) nor agreed to assume any expense or other liability, whether fixed or contingent, incurred or to be incurred by any holder of IXC Stock in connection with or as part of the Merger or any related transactions.

11. Except as otherwise specifically contemplated under the Merger Agreement, immediately prior to the time of the Merger, IXC will not have outstanding any warrants, options, convertible securities or any other type of right pursuant to which any person could acquire IXC stock.

Simultaneously with the Merger, all outstanding options and related stock appreciation rights, if any, to purchase or acquire a share of IXC stock granted under employee incentive or benefits plans, programs or arrangements and non-employee director plans presently maintained by IXC, together with all other outstanding awards granted under such plans, will be canceled or converted into similar instruments of CBI. Immediately following the Merger, the 12½% Preferred Stock will be the only class of Surviving Corporation stock outstanding (other than the common stock of the Surviving Corporation, which will be held by CBI).

12. No assets of IXC have been sold, transferred or otherwise disposed of which would prevent CBI from continuing the "historic business" of IXC or from using a significant portion of the "historic business assets" of IXC in a business following the Merger (as such terms are defined in Treasury Regulation Section 1.368-1(d)).

13. In connection with the Merger and related transactions, IXC Stock will be converted solely into CBI Stock (except for cash paid in lieu of fractional shares of CBI Common Stock and cash paid to Principal Stockholders in exchange for their IXC Stock pursuant to the Stockholders Agreements). For purposes of this representation, IXC Stock redeemed for cash or other property furnished, directly or indirectly, by CBI will be considered as exchanged for other than CBI Stock. Further, no liabilities of IXC or any of its subsidiaries or any holders of IXC Stock will be assumed by CBI, nor, to the best knowledge of the management of IXC, will any of the IXC Stock acquired by CBI in connection with the Merger be subject to any liabilities.

14. IXC is not an investment Company as defined in Section 368(a)(2)(F)(iii) and (iv) of the Code.

15. IXC will not take, and, to the best knowledge of the management of IXC, there is no plan or intention by stockholders of IXC to take, any position on any Federal, state or local income or franchise tax return, or take any other tax reporting position, that is inconsistent with the treatment of the Merger as a reorganization within the meaning of Section 368(a) of the Code, unless otherwise required by a "determination" (as defined in Section 1313(a)(1) of the Code) or by applicable state or local tax law (and then only to the extent required by such applicable state or local tax law).

16. None of the compensation received by any stockholder-employee or stockholder-independent contractor of IXC in respect of periods at or prior to the Effective

Time represents separate consideration for, or is allocable to, any of its IXC Stock. None of the CBI Stock that will be received by any stockholder-employee or stockholder-independent contractor of IXC in the Merger represents separately bargained for consideration which is allocable to any employment agreement or arrangement. The compensation paid to any stockholder-employee or stockholder-independent contractor will be for services actually rendered and will be determined by bargaining at arm's length.

17. There is no intercorporate indebtedness existing between CBI (or any of its subsidiaries, including Sub) and IXC (or any of its subsidiaries) that was issued, acquired or will be settled at a discount.

18. IXC is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of Section 368(a)(3)(A) of the Code.

19. It is IXC's present intention to pay all transfer taxes attributable to the Merger out of IXC's own funds (and not out of funds provided, directly or indirectly, by CBI).

20. The Merger Agreement, the Registration Statement and the other documents described in the Registration Statement represent the entire understanding of IXC with respect to the Merger.

21. The Merger is being undertaken for purposes of enhancing the business of IXC and for other good and valid business purposes of IXC.

22. Neither IXC nor any of its subsidiaries has constituted either a "distributing corporation" or a "controlled corporation" (within the meaning of Section 355(a)(1)(A) of the Code) in a distribution of stock qualifying for tax-free treatment under Section 355 of the Code (i) in the two years prior to the date of the Merger Agreement or (ii) in a distribution which could otherwise constitute part of a "plan" or "series of related transactions" (within the meaning of Section 355(e) of the Code) in conjunction with the Merger.

23. On the date of the Merger, the fair market value of the assets of IXC will exceed the sum of its liabilities, plus the amount of liabilities, if any, to which such assets are subject.

24. No holders of IXC Stock have dissenters' rights with respect to the Merger under any applicable law.

25. Sub will have no liabilities assumed by IXC, and will not transfer to IXC any assets subject to liabilities, in the transaction.

26. The undersigned is authorized to make all the representations set forth herein on behalf of IXC.

The undersigned acknowledges that (i) your opinion will be based on the accuracy of the representations set forth herein and on the accuracy of the representations and warranties and the satisfaction of the covenants and obligations contained in the Merger Agreement and the various other documents related thereto, and (ii) your opinion will be subject to certain limitations and qualifications including that it may not be relied upon if any such representations or warranties are not accurate or if any of such covenants or obligations are not satisfied in all material respects.

The undersigned acknowledges that your opinion will not address any tax consequences of the Merger or any action taken in connection therewith except as expressly set forth in such opinion.

Very truly yours,

IXC COMMUNICATIONS, INC.

by

_____

Name:
Title:

EXHIBIT D
TO THE MERGER AGREEMENT

[Letterhead of CBI]

[ ], 1999

[Counsel to IXC]

Ladies and Gentlemen:

In connection with the opinion to be delivered pursuant to Section 6.03(c) of the Agreement and Plan of Merger (the "Merger Agreement"), dated as of July 20, 1999, among Cincinnati Bell Inc., an Ohio corporation ("CBI"), Ivory Merger Inc., a Delaware corporation and a wholly owned subsidiary of CBI (the "Sub"), and IXC Communications Inc., a Delaware corporation ("IXC"), whereby Sub will merge with and into IXC (the "Merger"), with IXC becoming the "Surviving Corporation", and in connection with the filing with the Securities and Exchange Commission (the "SEC") of the registration statement on Form S-4 (the "Registration Statement"), which includes the Joint Proxy Statement of CBI and IXC, each as amended or supplemented through the date hereof, the undersigned certifies and represents on behalf of CBI and Sub and as to CBI and Sub, after due inquiry and investigation, as follows (any capitalized term used but not defined herein shall have the meaning given to such term in the Merger Agreement):

1. The facts relating to the Merger as described in the Merger Agreement, Registration Statement and the other documents described in the Registration Statement are, insofar as such facts pertain to CBI and Sub, true, correct and complete in all material respects. The Merger will be consummated in accordance with the Merger Agreement.

2. The formula set forth in the Merger Agreement pursuant to which each issued and outstanding share of IXC's: (i) common stock, par value $.01 per share (the "IXC Common Stock"), will be converted into 2.0975 fully paid and

nonassessable shares of common stock, par value $.01 per share, of CBI ("CBI Common Stock"), (ii) 7¼% Junior Convertible Preferred Stock Due 2007, par value $.01 per share (the "IXC 7¼% Preferred Stock"), will be converted into one fully paid and nonassessable share of voting 7¼% Junior Convertible Preferred Stock Due 2007, par value $.01 per share, of CBI (the "CBI 7¼% Preferred Stock") and (iii) 6¾% Cumulative Convertible Preferred Stock, par value $.01 per share (the "IXC 6¾% Preferred Stock" and, together with the IXC Common Stock and the IXC 7¼% Preferred Stock, the "IXC Stock"), will be converted into one fully paid and nonassessable share of voting 6¾% Cumulative Convertible Preferred Stock, par value $.01 per share, of CBI (the "CBI 6¾% Preferred Stock" and, together with the CBI Common Stock and the CBI 7¼% Preferred Stock, the "CBI Stock") is the result of arm's length bargaining.

3. Prior to the Merger, CBI will own at least 80 percent of the total combined voting power of all classes of Sub stock entitled to vote and at least 80 percent of the total number of shares of all other classes of Sub stock. As a result of the Merger, CBI will acquire at least 80 percent of the total combined voting power of all classes of IXC stock entitled vote and at least 80 percent of the total number of shares of all other classes of IXC stock, solely in exchange for CBI voting stock. CBI has no plan or intention to sell, transfer or dispose of any stock of the Surviving Corporation or to cause the Surviving Corporation to issue additional shares of its stock that would in either case result in CBI failing to own after the Merger, directly or indirectly, at least 80 percent of the total combined voting power of all classes of Surviving Corporation stock entitled to vote and at least 80 percent of the total number of shares of all other classes of Surviving Corporation stock.

4. If cash payments are made to holders of IXC Common Stock in lieu of fractional shares of CBI Common Stock that would otherwise be issued to such holders in the Merger, such payments will be made for the purpose of saving CBI the expense and inconvenience of issuing and transferring fractional shares of CBI Common Stock, and will not represent separately bargained for consideration. The total cash consideration that will be paid in the Merger to holders of IXC Common Stock in lieu of fractional shares of CBI Common Stock will not exceed one percent of the total consideration that will be issued in the Merger to shareholders of IXC in exchange for their shares of IXC Stock.

5. CBI has no plan or intention to acquire or redeem any of the CBI Stock issued in the Merger, either directly or through any transaction, agreement or arrangement with any other person. To the best knowledge of the management of CBI, no person related to CBI (as defined in Treasury Regulation Section 1.368-1(e)) has a plan or intention to acquire or redeem any of the CBI Stock issued in the Merger, either directly or through any transaction, agreement or arrangement with any other person. For purposes of this representation letter, a person is considered to own or acquire stock owned or acquired (as the case may be) by a partnership in which such person is a partner in proportion to such persons's interest in the partnership.

6. CBI does not have any plan or intention to make any distributions after, but in connection with, the Merger to holders of CBI Stock (other than dividends made in the ordinary course of business).

7. Neither CBI nor any corporation related to CBI (as defined in Treasury Regulation Section 1.368-1(e)) has any plan or intention to acquire, or to cause the Surviving Corporation to acquire, redeem, exchange or alter the terms of, the 12½% Preferred Stock.

8. Neither CBI nor Sub (nor any other subsidiary of CBI) has acquired or, except as a result of the Merger and purchases from the Principal Stockholders pursuant to the Stockholders Agreements, will acquire, or has owned in the past five years, any IXC Stock.

9. Immediately following the Merger, the Surviving Corporation will hold (i) at least 90 percent of the fair market value of the net assets and at least 70 percent of the fair market value of the gross assets that were held by IXC immediately prior to the Merger and (ii) at least 90 percent of the fair market value of the net assets and at least 70 percent of the fair market value of the gross assets that were held by Sub immediately prior to the Merger. For purposes of this representation, amounts paid to stockholders who receive cash or other property (including cash in lieu of fractional shares of CBI Common Stock) derived directly or indirectly from IXC in connection with the Merger, assets of IXC used to pay its reorganization expenses (including transfer taxes, if any) and all redemptions and distributions made by IXC (other than dividends made in the ordinary course of business) immediately preceding, or in contemplation of, the Merger will be included as assets held by IXC immediately prior to the Merger.

10. CBI has no present plan or intention to, following the Merger, liquidate the Surviving Corporation, merge the Surviving Corporation with and into another corporation in which the Surviving Corporation is not the survivor, sell or otherwise dispose of any of the stock of the Surviving Corporation, cause the Surviving Corporation to distribute to CBI or any of its subsidiaries any assets of the Surviving Corporation or the proceeds of any borrowings incurred by the Surviving Corporation, or cause the Surviving Corporation to sell or otherwise dispose of any of the assets held by the Surviving Corporation at the time of the Merger, except for dispositions made in the ordinary course of business and transfers permitted under Section 368(a)(2)(C) of the Code or Treasury Regulation Section 1.368-1(d) or 1.368-2(k).

11. Except as otherwise specifically contemplated under the Merger Agreement, CBI and Sub will pay their respective expenses, if any, incurred in connection with the Merger. Except to the extent specifically contemplated under the Merger Agreement, neither CBI nor Sub has paid (directly or indirectly) or has agreed to assume any expense or other liability, whether fixed or contingent, of IXC or any of its subsidiaries or any holder of IXC Stock.

12. In connection with the Merger and related transactions, IXC Stock will be converted solely into CBI Stock (except for cash paid in lieu of fractional shares of CBI Common Stock and cash paid to Principal Stockholders in exchange for their Ivory Stock pursuant to the Stockholders Agreements). For purposes of this representation, IXC Stock redeemed for cash or other property furnished, directly or indirectly, by CBI will be considered as exchanged for other than CBI Stock. Further, except as otherwise contemplated under the Merger Agreement, no liabilities of IXC or any of its subsidiaries or any of the holders of IXC Stock will be assumed by CBI, nor, to the best knowledge of the management of CBI, will any of the IXC Stock acquired by CBI in connection with the Merger be subject to any liabilities.

13. Following the Merger, CBI intends to cause the Surviving Corporation to continue the "historic business" of Ivory or to use a significant portion of the "historic business assets" of IXC in a business (as such terms are defined in Treasury Regulation Section 1.368-1(d)).

14. Neither CBI nor Sub is an investment company as defined in Section 368(a)(2)(F)(iii) and (iv) of the Code.

15. Neither CBI nor Sub will take any position on any Federal, state or local income or franchise tax return, or take any other tax reporting position, that is inconsistent with the treatment of the Merger as a reorganization within the meaning of Section 368(a) of the Code, unless otherwise required by a "determination" (as defined in Section 1313(a)(1) of the Code) or by applicable state or local tax law (and then only to the extent required by such applicable state or local tax law).

16. None of the compensation received by any stockholder-employee or stockholder-independent contractor of IXC in respect of periods after the Effective Time represents separate consideration for, or is allocable to, any of its IXC Stock. None of the CBI Stock that will be received by any stockholder-employee or stockholder-independent contractor of IXC in the Merger represents separately bargained-for consideration which is allocable to any employment agreement or arrangement. The compensation paid to any stockholder-employee or stockholder-independent contractor will be for services actually rendered and will be determined by bargaining at arm's length.

17. There is no intercorporate indebtedness existing between CBI (or any of its subsidiaries, including Sub) and IXC (or any of its subsidiaries) that was issued, acquired or will be settled at a discount.

18. Neither CBI nor Sub is under the jurisdiction of a court in a Title 11 or similar case within the meaning of Section 368(a)(3)(A) of the Code.

19. The Merger Agreement, the Registration Statement and the other documents described in the Registration Statement represent the entire understanding of CBI and Sub with respect to the Merger.

20. Sub is a corporation newly formed for the purpose of participating in the Merger, and at no time prior to the Merger has it had assets (other than nominal assets contributed upon the formation of Sub, which assets will be held by the Surviving Corporation following the Merger) or business operations.

21. The Merger is being undertaken for purposes of enhancing the business of CBI and for other good and valid business purposes of CBI.

22. On the date of the Merger, the fair market value of the assets of IXC will exceed the sum of its

liabilities, plus the amount of liabilities, if any, to which such assets are subject.

23. Sub will have no liabilities assumed by IXC, and will not transfer to IXC any assets subject to liabilities, in the transaction (other than liabilities incurred by Sub in the ordinary course of business).

24. The undersigned is authorized to make all the representations set forth herein on behalf of CBI and Sub.

The undersigned acknowledges that (i) your opinion will be based on the accuracy of the representations set forth herein and on the accuracy of the representations and warranties and the satisfaction of the covenants and obligations contained in the Merger Agreement and the various other documents related thereto, and (ii) your opinion will be subject to certain limitations and qualifications including that it may not be relied upon if any such representations or warranties are not accurate or if any of such covenants or obligations are not satisfied in all material respects.

The undersigned acknowledges that your opinion will not address any tax consequences of the Merger or any action taken in connection therewith except as expressly set forth in such opinion.

Very truly yours,

CINCINNATI BELL INC.

by

_____

Name:
Title:

EXHIBIT D

VERIFICATION OF PARTIES

VERIFICATION

STATE OF TEXAS)
) ss
COUNTY OF TRAVIS)

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

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

Subscribed and sworn to before me
this 30th day of July, 1999

Connie Thomas
Notary Public

My Commission Expires: 3/10/01

CONNIE THOMAS
Notary Public, State of Texas
My Commission Expires
MARCH 10, 2001

8502.1

VERIFICATION

STATE OF TEXAS)
) ss
COUNTY OF TRAVIS)

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

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

Subscribed and sworn to before me
this 30th day of July, 1999

Connie Thomas
Notary Public

My Commission Expires: 3/10/01

CONNIE THOMAS
Notary Public, State of Texas
My Commission Expires
MARCH 10, 2001

8506.1

VERIFICATION

STATE OF OHIO)
) ss
COUNTY OF HAMILTON)

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

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

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

Susan D. McClarnon
Notary Public

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

My Commission Expires:_____

8504.1