CINCINNATI BELL INC
Form 10-Q
May 08, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended March 31, 2014

o 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.

Ohio	31-1056105
(State of Incorporation)	(I.R.S. Employer Identification No.)

221 East Fourth Street, Cincinnati, Ohio 45202
(Address of principal executive offices) (Zip Code)
(513) 397-9900
(Registrant's telephone number, including area code)
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 o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

At April 30, 2014, there were 209,064,648 common shares outstanding.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in millions, except per share amounts)
(Unaudited)

	Three Months Ended March 31, 2014	2013
Revenue		
Services	$258.2	$270.5
Products	64.3	55.2
Total revenue	322.5	325.7
Costs and expenses		
Cost of services, excluding items below	106.3	109.2
Cost of products sold, excluding items below	59.9	53.2
Selling, general and administrative, excluding items below	55.4	53.1
Depreciation and amortization	46.9	50.6
Transaction-related compensation	—	35.5
Restructuring charges	—	2.6
Loss on sale or disposal of assets, net	—	2.5
Amortization of deferred gain	(3.6)	(0.6)
Transaction costs	0.7	0.4
Total operating costs and expenses	265.6	306.5
Operating income	56.9	19.2
Interest expense	40.3	47.9
(Income) loss from CyrusOne equity method investment	(0.5)	1.9
Other expense (income), net	0.6	(0.3)
Income (loss) before income taxes	16.5	(30.3)
Income tax expense	9.5	6.4
Net income (loss)	7.0	(36.7)
Preferred stock dividends	2.6	2.6
Net income (loss) applicable to common shareowners	$4.4	$(39.3)
Basic and diluted earnings (loss) per common share	$0.02	$(0.19)

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

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Dollars in millions)
(Unaudited)

	Three Months Ended March 31, 2014	2013
Net income (loss)	$7.0	$(36.7)
Other comprehensive income, net of tax:		
Foreign currency translation loss, net of tax of ($0.1)	—	(0.2)
Defined benefit pension and postretirement plans:		
Amortization of prior service benefits, net of tax of ($1.4), ($1.2)	(2.4)	(2.0)
Amortization of net actuarial loss, net of tax of $2.4, $2.8	4.2	4.8
Other comprehensive income	1.8	2.6
Total comprehensive income (loss)	$8.8	$(34.1)

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

CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in millions, except share amounts)
(Unaudited)

	March 31, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	$4.2	$4.6
Receivables, less allowances of $12.2 and $12.2	165.6	145.6
Receivable from CyrusOne	11.4	9.2
Inventory, materials and supplies	23.1	23.8
Deferred income taxes, net	51.7	55.3
Prepaid expenses	14.8	11.0
Other current assets	2.6	1.6
Total current assets	273.4	251.1
Property, plant and equipment, net	892.2	902.8
Investment in CyrusOne	462.2	471.0
Goodwill	14.4	14.4
Intangible assets, net	91.2	91.7
Deferred income taxes, net	333.3	339.7
Other noncurrent assets	34.8	36.6
Total assets	$2,101.5	$2,107.3
Liabilities and Shareowners' Deficit		
Current liabilities		
Current portion of long-term debt	$12.1	$12.6
Accounts payable	111.3	89.4
Payable to CyrusOne	0.7	0.5
Unearned revenue and customer deposits	32.8	32.5
Accrued taxes	11.1	12.9
Accrued interest	35.0	31.6
Accrued payroll and benefits	30.9	38.0
Other current liabilities	31.8	36.8
Total current liabilities	265.7	254.3
Long-term debt, less current portion	2,244.1	2,252.6
Pension and postretirement benefit obligations	193.6	202.7
Other noncurrent liabilities	68.8	74.4
Total liabilities	2,772.2	2,784.0
Shareowners' deficit		
Preferred stock, 2,357,299 shares authorized, 155,250 shares (3,105,000 depositary shares) of 6 $^3/_4$% Cumulative Convertible Preferred Stock issued and outstanding at March 31, 2014 and December 31, 2013; liquidation preference $1,000 per share ($50 per depositary share)	129.4	129.4
Common shares, $.01 par value; 480,000,000 shares authorized; 209,181,943 and 208,656,995 shares issued; 208,756,303 and 208,165,275 shares outstanding at March 31, 2014 and December 31, 2013	2.1	2.1
Additional paid-in capital	2,587.5	2,590.6
Accumulated deficit	(3,256.5)	(3,263.5)
Accumulated other comprehensive loss	(131.5)	(133.3)

Common shares in treasury, at cost	(1.7)	(2.0)
Total shareowners' deficit	(670.7)	(676.7)
Total liabilities and shareowners' deficit	$2,101.5	$2,107.3

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in millions)
(Unaudited)

	Three Months Ended March 31, 2014	2013
Cash flows from operating activities		
Net income (loss)	$7.0	$(36.7)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	46.9	50.6
Provision for loss on receivables	2.4	2.6
(Income) loss from CyrusOne equity method investment	(0.5)	1.9
Noncash portion of interest expense	1.7	2.0
Deferred income tax provision	8.8	6.1
Pension and other postretirement payments in excess of expense	(6.0)	(3.1)
Stock-based compensation	0.8	2.3
Amortization of deferred gain	(3.6)	(0.6)
Loss on sale or disposal of assets, net	—	2.5
Excess tax benefit for share based payments	(0.1)	(0.5)
Other, net	(0.4)	0.5
Changes in operating assets and liabilities, net of CyrusOne deconsolidation:		
(Increase) decrease in receivables	(22.1)	6.5
Increase in inventory, materials, supplies, prepaid expenses and other current assets	(4.0)	(5.3)
Increase in accounts payable	19.0	23.4
Decrease in accrued and other current liabilities	(10.2)	(0.9)
Decrease in other noncurrent assets	0.4	0.4
Decrease in other noncurrent liabilities	(2.3)	(9.4)
Net cash provided by operating activities	37.8	42.3
Cash flows from investing activities		
Capital expenditures	(34.3)	(50.9)
Dividends received from CyrusOne	7.1	—
Proceeds from sale of assets	1.9	0.8
Release of restricted cash	—	0.4
Cash divested from deconsolidation of CyrusOne	—	(12.2)
Net cash used in investing activities	(25.3)	(61.9)
Cash flows from financing activities		
Net (decrease) increase in corporate credit and receivables facilities with initial maturities less than 90 days	(4.1)	2.0
Repayment of debt	(5.2)	(3.1)
Dividends paid on preferred stock	(2.6)	(2.6)
Proceeds from exercise of options and warrants	0.6	6.6
Excess tax benefit for share based payments	0.1	0.5
Other, net	(1.7)	(2.3)
Net cash (used in) provided by financing activities	(12.9)	1.1
Net decrease in cash and cash equivalents	(0.4)	(18.5)
Cash and cash equivalents at beginning of period	4.6	23.6
Cash and cash equivalents at end of period	$4.2	$5.1

Noncash investing and financing transactions:		
Investment in CyrusOne resulting from deconsolidation	$—	$509.7
Accrual of CyrusOne dividends	$9.3	$7.1
Acquisition of property by assuming debt and other noncurrent liabilities	$—	$1.0
Acquisition of property on account	$21.0	$25.4

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Description of Business and Accounting Policies

Description of Business — Cincinnati Bell Inc. and its consolidated subsidiaries ("Cincinnati Bell", "we", "our", "us" or the "Company") is a full-service regional provider of entertainment, data and voice communications services over wireline and wireless networks, a provider of managed and professional information technology services, and a reseller of information technology ("IT") and telephony equipment. In addition, enterprise customers across the United States rely on Cincinnati Bell Technology Solutions Inc. ("CBTS"), a wholly-owned subsidiary, for efficient, scalable communications systems and end-to-end IT solutions. As of March 31, 2014, we operate our business through the following segments: Wireline, IT Services and Hardware, and Wireless.

On January 24, 2013, we completed the initial public offering ("IPO") of CyrusOne Inc. ("CyrusOne"), which owns and operates our former Data Center Colocation segment. CyrusOne conducts its data center business through CyrusOne LP, an operating partnership. We currently own approximately 1.9 million shares of CyrusOne's common stock and are a limited partner in CyrusOne LP, owning approximately 42.6 million of its partnership units. Although we effectively own approximately 68% of CyrusOne through our ownership of its common stock and partnership units of CyrusOne LP, we no longer control its operations. Effective January 24, 2013, we no longer include the accounts of CyrusOne in our consolidated financial statements and now account for our ownership in CyrusOne as an equity method investment.

Basis of Presentation — The Condensed Consolidated Financial Statements of the Company have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) and, in the opinion of management, include all adjustments necessary for a fair presentation of the results of operations, other comprehensive income, financial position, and cash flows for each period presented.

The adjustments referred to above are of a normal and recurring nature. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) have been condensed or omitted pursuant to SEC rules and regulations for interim reporting.

The Condensed Consolidated Balance Sheet as of December 31, 2013 was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. These Condensed Consolidated Financial Statements should be read in conjunction with the Company’s 2013 Annual Report on Form 10-K. Operating results for the three months ended March 31, 2014 are not necessarily indicative of the results expected for the full year or any other interim period.

Use of Estimates — Preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates. In the normal course of business, the Company is subject to various regulatory and tax proceedings, lawsuits, claims, and other matters. The Company believes adequate provision has been made for all such asserted and unasserted claims in accordance with U.S. GAAP. Such matters are subject to many uncertainties and outcomes that are not predictable with assurance.

Investment in CyrusOne — We completed the IPO of CyrusOne on January 24, 2013, and as of that date, we have significant influence over it but do not control its operations. As a result, effective January 24, 2013, our ownership in CyrusOne is accounted for as an equity method investment. From that date, we recognize our proportionate share of CyrusOne's net income or loss as non-operating income or expense in our Condensed Consolidated Statement of Operations. For the period January 1, 2013 through January 23, 2013, we consolidated CyrusOne's operating results. For the quarter ended March 31, 2014, the Company received cash dividends from CyrusOne totaling $7.1 million. Dividends from CyrusOne are recognized as a reduction of our investment.

Property, Plant and Equipment — Property, plant and equipment is stated at original cost and presented net of accumulated depreciation and impairment losses. Depreciation expense is generally calculated using either the group depreciation method or the straight-line method.

In the first quarter of 2013, and in connection with our review of the estimated remaining useful lives of property, plant and equipment, we shortened the estimated useful lives assigned to wireless network software to three years. This change resulted from smartphone-driven technology upgrades, enhancements and projected retirements. For the three months ended March 31, 2013, the increase in depreciation expense associated with this change was $8.5 million and increased basic and diluted loss per share by approximately $0.03 per share.

In conjunction with our long-lived asset analysis conducted in the fourth quarter of 2013, we reassessed the useful lives of all our Wireless property, plant and equipment. The remaining useful life for all Wireless property, plant, and equipment assets was reduced to 30 months as of December 31, 2013. As a result of this change in estimate, depreciation expense increased by approximately $9 million in the first quarter of 2014 and reduced basic and diluted earnings per share by approximately $0.03 per share. In addition, reducing the useful life of all Wireless property, plant and equipment also required that we shorten the amortization period of the deferred gain associated with the 2009 tower sale to 30 months as of December 31, 2013.

Amortization of the deferred gain associated with the tower sale totaled $3.6 million and $0.6 million in the three months ended March 31, 2014 and 2013, respectively.

Income Taxes — The Company's income tax provision for interim periods is determined through the use of an estimated annual effective tax rate applied to year-to-date ordinary income, as well as the tax effects associated with discrete items. The Company's tax expense for the three months ended March 31, 2014 increased from the prior year primarily due to higher pre-tax income and an increase in the annual effective tax rate. In addition, during the first quarter of 2013, the Company recorded a valuation allowance provision of $10.7 million for Texas margin credits which, effective with CyrusOne's IPO on January 24, 2013, are unlikely to be realized before their expiration date.

Recently Issued Accounting Standards — In July 2013, the FASB issued new guidance under Accounting Standards Update ("ASU") 2013-11 regarding the presentation of unrecognized tax benefits in financial statements. This new standard requires the netting in the balance sheet of unrecognized tax benefits against a deferred tax asset for a same-jurisdiction loss or other carryforward that would apply in settlement of the uncertain tax positions. To the extent a net operating loss ("NOL") or tax credit carryforward is not available under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position, the unrecognized tax benefit would be presented in the balance sheet as a liability. This standard went into effect for annual and interim periods beginning after December 15, 2013. We adopted this new guidance beginning with our interim financial statements for the three months ended March 31, 2014. The adoption of this standard did not have a material impact on our financial statements for the first quarter of 2014.

In February 2013, the Financial Accounting Standards Board amended the guidance in Accounting Standards Codification 220 on comprehensive income. The new guidance requires additional information to be disclosed about the amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amounts reclassified are required under U.S. GAAP to be reclassified in their entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, cross references to other disclosures will be required. We adopted this new guidance beginning with our interim financial statements for the three months ended March 31, 2013. See Note 9 for our disclosures.

In April 2014, the FASB issued ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The amendments in this update increased the threshold for a disposal to qualify as a discontinued operation and require new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. The standard will be effective for us on January 1, 2015. The adoption of this pronouncement may affect our presentation and disclosure of any future dispositions.

2. Investment in CyrusOne

On January 24, 2013, we completed the initial public offering of CyrusOne, our former Data Center Colocation segment. As of that date, we no longer control CyrusOne's operations and we removed the following assets and liabilities of CyrusOne from our consolidated financial statements:

(dollars in millions)	
Cash	$12.2
Receivables	41.5
Other current assets	13.4
Property, plant and equipment	736.2
Goodwill and intangibles	377.7
Other noncurrent assets	44.0
Total assets	1,225.0
Current portion of long-term debt	6.3
Accounts payable	29.4
Unearned revenue and customer deposits	24.1
Other current liabilities	12.9
Long-term debt	550.3
Other noncurrent liabilities	92.3
Total liabilities	715.3
Net assets	$509.7

As we have significant influence over CyrusOne, we account for this investment using the equity method. Our 68% effective ownership of CyrusOne is held in the form of 1.9 million shares of registered common stock of CyrusOne Inc. and 42.6 million economically equivalent partnership units in its underlying operating entity, CyrusOne LP. For the first quarter of 2014, our equity method share of CyrusOne's net income was $0.5 million. For the period January 24, 2013 through March 31, 2013, our equity method share of CyrusOne's net loss was $1.9 million.

Commencing January 17, 2014, we are permitted to exchange the partnership units of CyrusOne LP into cash or shares of common stock of CyrusOne, as determined by CyrusOne, on a one-for-one basis based upon the fair value of a share of CyrusOne common stock, subject to certain limitations which restricted the volume of shares we are permitted to sell. The registration statement filed by CyrusOne on March 24, 2014 became effective on April 4, 2014 and eliminated all prior limitations restricting the volume of shares we are allowed to sell.

As of March 31, 2014, the fair value of this investment was $926.5 million based on the quoted market price of CyrusOne's common stock, which is considered a Level 1 measurement in the fair value hierarchy.

Summarized financial information for CyrusOne is as follows:

(dollars in millions)	For the three months ended March 31, 2014	January 24, 2013 to March 31, 2013
Revenue	$77.5	$45.0
Operating income	11.8	5.8
Net income (loss)	0.7	(2.8)

Transactions with CyrusOne

Revenues - The Company records revenue from CyrusOne under contractual service arrangements which include, among others, providing services such as fiber transport, network support, service calls, monitoring and management, storage and back-up, and IT systems support.

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Operating Expenses - We lease data center and office space from CyrusOne at certain locations in the Cincinnati area under operating leases and are also billed for other services provided by CyrusOne under contractual service arrangements. In the normal course of business, the Company also incurs expenses on CyrusOne's behalf for certain administrative functions. Such expenses are subsequently billed to and recovered from CyrusOne at their actual cost. These expense recoveries from CyrusOne are credited to the expense account in which they were initially recorded. For the three months ended March 31, 2013, we recognized transaction-related compensation of $20.0 million associated with CyrusOne employees. These payments were made in April 2013. See Note 8 for further discussion of this compensation plan.

For the three months ended March 31, 2014 and for the period January 24, 2013 through March 31, 2013, revenues and operating costs and expenses from transactions with CyrusOne were as follows:

(dollars in millions)	For the three months ended March 31, 2014	January 24, 2013 to March 31, 2013
Revenue:		
Services provided to CyrusOne	$0.5	$0.5
Operating costs and expenses:		
Transaction-related compensation to CyrusOne employees	$—	$20.0
Charges for services provided by CyrusOne	2.3	1.5
Administrative services provided to CyrusOne	(0.1)	(0.1)
Total operating costs and expenses	$2.2	$21.4

Dividends of $7.1 million were received in the first quarter of 2014. In addition, on February 19, 2014, CyrusOne declared dividends of $0.21 per share payable on its common shares and CyrusOne LP partnership units. This dividend was paid on April 15, 2014 to holders of record as of March 28, 2014.

In addition to the agreements noted above, the Company entered into a tax sharing agreement with CyrusOne. Under the terms of the agreement, CyrusOne will reimburse the Company for the Texas Margin Tax liability that CyrusOne would have incurred if they filed a Texas Margin Tax return separate from the consolidated filing. The agreement will remain in effect until terminated by the mutual written consent of the parties or when the Company is no longer required to file the Texas Margin Tax return on a consolidated basis with CyrusOne. As of March 31, 2014 and December 31, 2013, the receivable related to this agreement amounted to $1.9 million and $1.5 million, respectively. These balances are included in Receivable from CyrusOne.

At March 31, 2014 and December 31, 2013, amounts receivable from and payable to CyrusOne were as follows:

(dollars in millions)	March 31, 2014	December 31, 2013
Accounts receivable	$2.1	$2.1
Dividends receivable	9.3	7.1
Receivable from CyrusOne	$11.4	$9.2
Accounts payable	$0.7	$0.5
Payable to CyrusOne	$0.7	$0.5

3. Earnings Per Common Share

Basic earnings per common share (“EPS”) is based upon the weighted average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution that would occur upon issuance of common shares for awards under stock-based compensation plans, exercise of warrants or conversion of preferred stock, but only to the extent that they are considered dilutive.

The following table shows the computation of basic and diluted EPS:

	Three Months Ended March 31,	
(in millions, except per share amounts)	2014	2013
Numerator:		
Net income (loss)	$7.0	$(36.7)
Preferred stock dividends	2.6	2.6
Net income (loss) applicable to common shareowners - basic and diluted	$4.4	$(39.3)
Denominator:		
Weighted average common shares outstanding - basic	208.0	202.8
Stock-based compensation arrangements	1.0	—
Weighted average common shares outstanding - diluted	209.0	202.8
Basic and diluted earnings (loss) per common share	$0.02	$(0.19)

For the three months ended March 31, 2014, awards under the Company's stock-based compensation plans for common shares of 3.9 million were excluded from the computation of diluted EPS as the inclusion would have been anti-dilutive. For the three months ended March 31, 2013, the Company had a net loss available to common shareholders and, as a result, all common stock equivalents were excluded from the computation of diluted EPS as their inclusion would have been anti-dilutive. For all periods presented, preferred stock convertible into 4.5 million common shares was excluded as it was anti-dilutive.

4. Debt
The Company's debt consists of the following:

(dollars in millions)	March 31, 2014	December 31, 2013
Current portion of long-term debt:		
Corporate Credit Agreement - Tranche B Term Loan	$5.4	$5.4
Capital lease obligations and other debt	6.7	7.2
Current portion of long-term debt	12.1	12.6
Long-term debt, less current portion:		
Corporate Credit Agreement	37.5	40.0
Receivables facility	104.6	106.2
8 3/4% Senior Subordinated Notes due 2018	625.0	625.0
Corporate Credit Agreement - Tranche B Term Loan	531.9	533.2
8 3/8% Senior Notes due 2020	683.9	683.9
7 1/4% Senior Notes due 2023	40.0	40.0
Various Cincinnati Bell Telephone notes	134.5	134.5
Capital lease obligations and other debt	92.7	96.1
	2,250.1	2,258.9
Net unamortized discount	(6.0)	(6.3)
Long-term debt, less current portion	2,244.1	2,252.6
Total debt	$2,256.2	$2,265.2

As of March 31, 2014, the Company had $37.5 million of outstanding borrowings on its revolving credit facility ("Corporate Credit Agreement"), leaving $162.5 million available for borrowings. This revolving credit facility expires in July 2017.

On September 10, 2013, the Company amended and restated its Corporate Credit Agreement, originally dated as of November 20, 2012, to include a $540 million Tranche B Term Loan facility ("Tranche B Term Loan") that matures on September 10, 2020. The Tranche B Term Loan requires quarterly principal payments of 0.25% of the original principal amount.

As of March 31, 2014, the Company had $104.6 million of borrowings and $5.2 million of letters of credit outstanding under the accounts receivable securitization facility ("Receivables Facility"), leaving no remaining availability on the total borrowing capacity of $109.8 million. The Receivables Facility is subject to renewal every 364 days and expires in June 2016. In the event the Receivables Facility is not renewed, the Company has the ability to refinance any outstanding borrowings with borrowings under the Corporate Credit Agreement. The permitted borrowings vary depending on the level of eligible receivables and other factors. Under the Receivables Facility, certain subsidiaries, or originators, sell their respective trade receivables on a continuous basis to Cincinnati Bell Funding LLC ("CBF"). Although CBF is a wholly-owned consolidated subsidiary of the Company, CBF is legally separate from the Company and each of the Company's other subsidiaries. Upon and after the sale or contribution of the accounts receivable to CBF, such accounts receivable are legally assets of CBF and, as such, are not available to creditors of other subsidiaries or the Company.

5. Financial Instruments and Fair Value Measurements
Fair Value of Financial Instruments

The carrying values of the Company's financial instruments approximate the estimated fair values as of March 31, 2014 and December 31, 2013, except for the Company's investment in CyrusOne and long-term debt. The carrying and fair values of these financial instruments are as follows:

	March 31, 2014		December 31, 2013	
(dollars in millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Investment in CyrusOne	$462.2	$926.5	$471.0	$993.2
Long-term debt, including current portion*	2,157.6	2,254.9	2,162.7	2,248.3

*Excludes capital leases.

The fair value of our investment in CyrusOne was based on the closing market price of CyrusOne's common stock on March 31, 2014 and December 31, 2013. This fair value measurement is considered Level 1 of the fair value hierarchy.

The fair value of our long-term debt was based on closing or estimated market prices of the Company's debt at March 31, 2014 and December 31, 2013, which is considered Level 2 of the fair value hierarchy.

6. Restructuring Charges
As of March 31, 2014, restructuring liabilities have been established for employee separations, lease abandonments and contract terminations. A summary of the activity in our restructuring liabilities is presented below:

(dollars in millions)	Employee Separation	Lease Abandonment	Other	Total
Balance as of December 31, 2013	$9.7	$6.0	$0.1	$15.8
Charges	—	—	—	—
Utilizations	(2.6)	(0.9)	—	(3.5)
Balance as of March 31, 2014	$7.1	$5.1	$0.1	$12.3

The Company made severance payments during the three months ended March 31, 2014 pursuant to its written severance plan and certain management contracts. Lease abandonment costs represent future minimum lease obligations, net of expected sublease income, for abandoned facilities. Lease payments on abandoned facilities will continue through 2015. Other consists of amounts due to telecommunication carriers to cancel circuits.
A summary of restructuring activity by business segment is presented below:

(dollars in millions)	Wireline	IT Services and Hardware	Wireless	Corporate	Total
Balance as of December 31, 2013	$10.5	$0.8	$1.5	$3.0	$15.8
Charges	—	—	—	—	—
Utilizations	(1.8)	—	(0.3)	(1.4)	(3.5)
Balance as of March 31, 2014	$8.7	$0.8	$1.2	$1.6	$12.3

At March 31, 2014 and December 31, 2013, $5.6 million and $7.8 million, respectively, of the restructuring liabilities were included in "Other current liabilities," and $6.7 million and $8.0 million, respectively, were included in "Other noncurrent liabilities" in the Condensed Consolidated Balance Sheets.

7. Pension and Postretirement Plans
The Company sponsors three noncontributory defined benefit plans and a postretirement health and life insurance plan. For the three months ended March 31, 2014 and 2013, approximately 10% of the costs were capitalized as a component of property, plant and equipment related to construction of our wireline network.

For the three months ended March 31, 2014 and 2013, pension and postretirement benefit costs were as follows:

	Three Months Ended March 31,			
	2014	2013	2014	2013
(dollars in millions)	Pension Benefits		Postretirement and Other Benefits	
Service cost	$0.3	$0.6	$0.1	$0.1
Interest cost on projected benefit obligation	4.5	5.2	0.9	1.3
Expected return on plan assets	(6.8)	(6.1)	—	—
Amortization of:				
Prior service cost (benefit)	—	—	(3.8)	(3.2)
Actuarial loss	5.3	6.0	1.3	1.6
Total amortization	5.3	6.0	(2.5)	(1.6)
Benefit costs	$3.3	$5.7	$(1.5)	$(0.2)

Amortizations of prior service cost (benefit) and actuarial loss represent reclassifications from accumulated other comprehensive income.

Contributions in 2014 to the Company’s pension and postretirement plans are expected to be approximately $35 million and $13 million, respectively. For the three months ended March 31, 2014, contributions to the pension plans were $5.0 million and contributions to the postretirement plan were $3.2 million.

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8. Stock-Based and Other Compensation Plans

The Company grants stock options, stock appreciation rights (“SARs”), long-term incentive plan performance-based awards, and time-based restricted shares, some of which are cash-settled awards with the final payment indexed to the percentage change in the Company’s stock price from the date of grant.

For the three months ended March 31, 2014, the Company recognized stock-based compensation expense of $0.9 million, inclusive of a $0.2 million mark-to-market gain on awards indexed to the Company's stock price. For the three months ended March 31, 2013, the Company recognized stock-based compensation benefit of $1.7 million, which reflected $3.9 million of mark-to-market gains. As of March 31, 2014, there was $8.2 million of unrecognized compensation expense related to these awards. The remaining compensation expense for the stock options, SARs and restricted awards is expected to be recognized over a weighted-average period of approximately one year, and the remaining expense for long-term incentive plan performance-based awards will be recognized within approximately three years.

The Company also has deferred compensation plans for its Board of Directors and certain executives. Under these plans, participants can elect to invest their deferrals in the Company’s common stock. At March 31, 2014 and 2013, the number of common shares deferred under these plans was 0.6 million and 0.8 million, respectively. As these awards can be settled in cash, the Company records compensation costs each period based on the change in the Company’s stock price. For the three months ended March 31, 2014, the Company recognized nominal expense. For the three months ended March 31, 2013, the Company recognized a benefit of $1.6 million.

In 2010, the Company's Board of Directors approved long-term incentive programs for certain members of management. Payment was contingent upon the completion of a qualifying transaction and attainment of an increase in the equity value of the data center business, as defined in the plans. On January 24, 2013, the initial public offering of CyrusOne was completed, which represented a qualifying transaction requiring payment under these compensation plans. For the three months ended March 31, 2013, compensation expense of $35.5 million was recognized for these awards and other transaction-related incentives, of which $20.0 million was associated with CyrusOne employees. These payments were made in April 2013. This expense has been presented as transaction-related compensation in our Condensed Consolidated Statement of Operations for the three months ended March 31, 2013. In May 2013, additional compensation expense of $7.1 million was recorded related to the success of the CyrusOne IPO.

9. Shareowners' Deficit

Warrants

In March 2003, the Company entered into a series of recapitalization transactions which included the issuance of 17.5 million warrants which expired on March 26, 2013. Each warrant allowed the holder to purchase one share of Cincinnati Bell common stock at an exercise price of $3.00 each. During the first quarter of 2013, warrant holders elected to exercise a total of 14.3 million warrants, leaving no remaining warrants outstanding as of March 31, 2013. As a result, the Company issued a total of 4.4 million shares of common stock and received $5.1 million of cash proceeds for the 1.7 million of such warrants which were cash settled.

Accumulated Other Comprehensive Loss

For the three months ended March 31, 2014, the changes in accumulated other comprehensive loss by component were as follows:

(dollars in millions)	Unrecognized Net Periodic Pension and Postretirement Benefit Cost		Foreign Currency Translation Loss	Total
Balance as of December 31, 2013	$(133.1)		$(0.2)	$(133.3)
Reclassifications, net	1.8	(a)	—	1.8
Balance as of March 31, 2014	$(131.3)		$(0.2)	$(131.5)

(a) These reclassifications are included in the components of net periodic pension and postretirement benefit costs (see Note 7 for additional details). The components of net periodic pension and postretirement benefit cost are reported within "Cost of services", "Cost of products sold", and "Selling, general and administrative" expenses on the Condensed Consolidated Statements of Operations.

10. Business Segment Information

For the period January 1, 2013 through January 23, 2013, we operated four business segments: Wireline, IT Services and Hardware, Wireless and Data Center Colocation. Effective January 24, 2013, the date of the CyrusOne IPO, we no longer include CyrusOne, our former Data Center Colocation segment, in our consolidated financial statements and now account for our ownership in CyrusOne as an equity method investment. Therefore, at March 31, 2014, we operated three business segments: Wireline, IT Services and Hardware, and Wireless. The Company's segments are strategic business units that offer distinct products and services and are aligned with its internal management structure and reporting.

The Wireline segment provides products and services such as local voice, high-speed internet, data transport, long distance, entertainment, voice over internet protocol (VoIP), and other services. The IT Services and Hardware segment provides a range of fully managed and outsourced IT and telecommunications services along with the sale, installation, and maintenance of major branded IT and telephony equipment. The Wireless segment provides digital wireless voice and data communications services and sales of related handset equipment to customers in the Greater Cincinnati and Dayton, Ohio operating areas.

The Data Center Colocation results shown in the accompanying tables reflect the revenues and expenses of our former data center business for the period January 1, 2013 through January 23, 2013. Effective January 24, 2013, we no longer include CyrusOne's operating results in our consolidated financial statements. For the first quarter 2014, income from our equity method investment in CyrusOne was $0.5 million. For the period January 24, 2013 to March 31, 2013, we recognized a $1.9 million loss from our investment in CyrusOne. As of March 31, 2014, the carrying value of our investment in CyrusOne was $462.2 million and is included as an asset of the Corporate segment.

Certain corporate administrative expenses have been allocated to the segments based upon the nature of the expense and the relative size of the segment. Intercompany transactions between segments have been eliminated.

Selected financial data for the Company's business segment information is as follows:

	Three Months Ended March 31,	
(dollars in millions)	2014	2013
Revenue		
Wireline	$183.6	$179.7
IT Services and Hardware	101.9	84.5
Wireless	44.7	53.3
Data Center Colocation	—	15.6
Intersegment	(7.7)	(7.4)
Total revenue	$322.5	$325.7
Intersegment revenue		
Wireline	$4.1	$4.4
IT Services and Hardware	3.1	2.0
Wireless	0.5	0.6
Data Center Colocation	—	0.4
Total intersegment revenue	$7.7	$7.4
Operating income		
Wireline	$52.6	$50.1
IT Services and Hardware	5.4	1.9
Wireless	5.3	0.7
Data Center Colocation	—	3.2
Corporate	(6.4)	(36.7)
Total operating income	$56.9	$19.2
Expenditures for long-lived assets		
Wireline	$26.2	$33.8
IT Services and Hardware	2.5	1.2
Wireless	5.6	8.2
Data Center Colocation	—	7.7
Total expenditures for long-lived assets	$34.3	$50.9
Depreciation and amortization		
Wireline	$28.1	$26.8
IT Services and Hardware	2.8	2.5
Wireless	15.8	16.0
Data Center Colocation	—	5.2
Corporate	0.2	0.1
Total depreciation and amortization	$46.9	$50.6

	March 31, 2014	December 31, 2013
Assets		
Wireline	$781.2	$780.8
IT Services and Hardware	51.4	48.9
Wireless	237.9	247.5
Corporate and eliminations	1,031.0	1,030.1
Total assets	$2,101.5	$2,107.3

11. Supplemental Guarantor Information

Cincinnati Bell Telephone Notes

As of March 31, 2014, Cincinnati Bell Telephone Company LLC ("CBT"), a wholly-owned subsidiary of Cincinnati Bell Inc. (the "Parent Company"), had $134.5 million in notes outstanding that are guaranteed by the Parent Company and no other subsidiaries of the Parent Company. The guarantee is full and unconditional. The Parent Company's subsidiaries generate substantially all of its income and cash flow and generally distribute or advance the funds necessary to meet the Parent Company's debt service obligations.

The following information sets forth the Condensed Consolidating Statements of Operations and Comprehensive Income (Loss) for the three months ended March 31, 2014 and 2013, Condensed Consolidating Balance Sheets as of March 31, 2014 and December 31, 2013, and Condensed Consolidating Statements of Cash Flows for the three months ended March 31, 2014 and 2013 of (1) the Parent Company, as the guarantor, (2) CBT, as the issuer, and (3) the non-guarantor subsidiaries on a combined basis.

Condensed Consolidating Statements of Operations and Comprehensive Income (Loss)

(dollars in millions)	Three Months Ended March 31, 2014 Parent (Guarantor)	CBT (Issuer)	Other Non-guarantors	Eliminations	Total
Revenue	$—	$163.3	$173.6	$(14.4)	$322.5
Operating costs and expenses	6.1	112.9	161.0	(14.4)	265.6
Operating (loss) income	(6.1)	50.4	12.6	—	56.9
Interest expense (income), net	37.1	(0.8)	4.0	—	40.3
Other (income) expense, net	(0.3)	1.9	(1.5)	—	0.1
(Loss) income before equity in earnings of subsidiaries and income taxes	(42.9)	49.3	10.1	—	16.5
Income tax (benefit) expense	(11.5)	18.1	2.9	—	9.5
Equity in earnings of subsidiaries, net of tax	38.4	—	—	(38.4)	—
Net income	7.0	31.2	7.2	(38.4)	7.0
Other comprehensive income	1.8	—	—	—	1.8
Total comprehensive income	$8.8	$31.2	$7.2	$(38.4)	$8.8
Net income	7.0	31.2	7.2	(38.4)	7.0
Preferred stock dividends	2.6	—	—	—	2.6
Net income applicable to common shareowners	$4.4	$31.2	$7.2	$(38.4)	$4.4

	Three Months Ended March 31, 2013 Parent (Guarantor)	CBT (Issuer)	Other Non-guarantors	Eliminations	Total
Revenue	$—	$159.3	$180.5	$(14.1)	$325.7
Operating costs and expenses	36.1	111.1	173.4	(14.1)	306.5
Operating (loss) income	(36.1)	48.2	7.1	—	19.2
Interest expense, net	35.8	4.5	7.6	—	47.9
Other (income) expense, net	(0.4)	1.7	0.3	—	1.6
(Loss) income before equity in earnings of subsidiaries and income taxes	(71.5)	42.0	(0.8)	—	(30.3)
Income tax (benefit) expense	(20.1)	16.5	10.0	—	6.4
Equity in earnings of subsidiaries, net of tax	14.7	—	—	(14.7)	—
Net (loss) income	(36.7)	25.5	(10.8)	(14.7)	(36.7)
Other comprehensive income (loss)	2.8	—	(0.2)	—	2.6
Total comprehensive (loss) income	$(33.9)	$25.5	$(11.0)	$(14.7)	$(34.1)
Net (loss) income	(36.7)	25.5	(10.8)	(14.7)	(36.7)
Preferred stock dividends	2.6	—	—	—	2.6
Net (loss) income applicable to common shareowners	$(39.3)	$25.5	$(10.8)	$(14.7)	$(39.3)

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Condensed Consolidating Balance Sheets

(dollars in millions)	As of March 31, 2014 Parent (Guarantor)	CBT (Issuer)	Other Non-guarantors	Eliminations	Total
Cash and cash equivalents	$1.9	$0.8	$1.5	$—	$4.2
Receivables, net	1.9	—	175.1	—	177.0
Other current assets	20.4	23.6	48.8	(0.6)	92.2
Total current assets	24.2	24.4	225.4	(0.6)	273.4
Property, plant and equipment, net	0.1	709.1	183.0	—	892.2
Investment in CyrusOne	—	—	462.2	—	462.2
Goodwill and intangibles, net	—	2.2	103.4	—	105.6
Investments in and advances to subsidiaries	1,437.6	277.7	—	(1,715.3)	—
Other noncurrent assets	332.8	5.8	193.4	(163.9)	368.1
Total assets	$1,794.7	$1,019.2	$1,167.4	$(1,879.8)	$2,101.5
Current portion of long-term debt	$5.4	$3.7	$3.0	$—	$12.1
Accounts payable	0.5	55.1	56.4	—	112.0
Other current liabilities	66.0	42.1	33.5	—	141.6
Total current liabilities	71.9	100.9	92.9	—	265.7
Long-term debt, less current portion	1,912.7	140.5	190.9	—	2,244.1
Other noncurrent liabilities	204.8	171.4	50.7	(164.5)	262.4
Intercompany payables	276.0	—	192.6	(468.6)	—
Total liabilities	2,465.4	412.8	527.1	(633.1)	2,772.2
Shareowners’ (deficit) equity	(670.7)	606.4	640.3	(1,246.7)	(670.7)
Total liabilities and shareowners’ equity (deficit)	$1,794.7	$1,019.2	$1,167.4	$(1,879.8)	$2,101.5

	As of December 31, 2013 Parent (Guarantor)	CBT (Issuer)	Other Non-guarantors	Eliminations	Total
Cash and cash equivalents	$2.1	$1.8	$0.7	$—	$4.6
Receivables, net	2.6	—	152.2	—	154.8
Other current assets	4.4	24.1	63.9	(0.7)	91.7
Total current assets	9.1	25.9	216.8	(0.7)	251.1
Property, plant and equipment, net	0.1	706.5	196.2	—	902.8
Investment in CyrusOne	—	—	471.0	—	471.0
Goodwill and intangibles, net	—	2.3	103.8	—	106.1
Investments in and advances to subsidiaries	1,406.6	247.7	—	(1,654.3)	—
Other noncurrent assets	359.1	6.1	178.9	(167.8)	376.3
Total assets	$1,774.9	$988.5	$1,166.7	$(1,822.8)	$2,107.3
Current portion of long-term debt	$5.4	$3.9	$3.3	$—	$12.6
Accounts payable	1.5	45.9	42.5	—	89.9
Other current liabilities	67.7	49.4	34.6	0.1	151.8
Total current liabilities	74.6	99.2	80.4	0.1	254.3
Long-term debt, less current portion	1,916.1	141.8	194.7	—	2,252.6
Other noncurrent liabilities	214.5	172.2	59.0	(168.6)	277.1
Intercompany payables	246.4	—	199.7	(446.1)	—
Total liabilities	2,451.6	413.2	533.8	(614.6)	2,784.0

Shareowners' (deficit) equity	(676.7)	575.3	632.9	(1,208.2)	(676.7)
Total liabilities and shareowners' equity (deficit)	$1,774.9	$988.5	$1,166.7	$(1,822.8)	$2,107.3

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Condensed Consolidating Statements of Cash Flows

	Three Months Ended March 31, 2014				
(dollars in millions)	Parent (Guarantor)	CBT (Issuer)	Other Non-guarantors	Eliminations	Total
Cash flows (used in) provided by operating activities	$(29.9)	$52.5	$15.2	$—	$37.8
Capital expenditures	—	(22.6)	(11.7)	—	(34.3)
Proceeds from sale of assets	—	0.1	1.8	—	1.9
Dividends received from CyrusOne	—	—	7.1	—	7.1
Cash flows used in investing activities	—	(22.5)	(2.8)	—	(25.3)
Funding between Parent and subsidiaries, net	37.1	(30.0)	(7.1)	—	—
Net (decrease) in corporate credit and receivables facilities with initial maturities less than 90 days	(2.5)	—	(1.6)	—	(4.1)
Repayment of debt	(1.3)	(1.0)	(2.9)	—	(5.2)
Proceeds from exercise of options and warrants	0.6	—	—	—	0.6
Other financing activities	(4.2)	—	—	—	(4.2)
Cash flows provided by (used in) financing activities	29.7	(31.0)	(11.6)	—	(12.9)
(Decrease) increase in cash and cash equivalents	(0.2)	(1.0)	0.8	—	(0.4)
Beginning cash and cash equivalents	2.1	1.8	0.7	—	4.6
Ending cash and cash equivalents	$1.9	$0.8	$1.5	$—	$4.2

	Three Months Ended March 31, 2013				
	Parent (Guarantor)	CBT (Issuer)	Other Non-guarantors	Eliminations	Total
Cash flows (used in) provided by operating activities	$(27.5)	$42.2	$27.6	$—	$42.3
Capital expenditures	—	(32.2)	(18.7)	—	(50.9)
Proceeds from sale of assets	—	0.8	—	—	0.8
Cash divested from deconsolidation of CyrusOne	—	—	(12.2)	—	(12.2)
Other investing activities	—	—	0.4	—	0.4
Cash flows used in investing activities	—	(31.4)	(30.5)	—	(61.9)
Funding between Parent and subsidiaries, net	24.4	(10.6)	(13.8)	—	—
Net increase in corporate credit and receivables facilities with initial maturities less than 90 days	—	—	2.0	—	2.0
Repayment of debt	—	(0.8)	(2.3)	—	(3.1)
Proceeds from exercise of options and warrants	6.6	—	—	—	6.6
Other financing activities	(4.4)	—	—	—	(4.4)
Cash flows provided by (used in) financing activities	26.6	(11.4)	(14.1)	—	1.1
Decrease in cash and cash equivalents	(0.9)	(0.6)	(17.0)	—	(18.5)
Beginning cash and cash equivalents	3.8	1.9	17.9	—	23.6
Ending cash and cash equivalents	$2.9	$1.3	$0.9	$—	$5.1

Supplemental Guarantor Information - 8 ^{3}/8% Senior Notes due 2020 and 8 ^{3}/4% Senior Subordinated Notes due 2018
As of March 31, 2014, the Parent Company's 8^3/8% Senior Notes due 2020 and 8 ^{3}/4% Senior Subordinated Notes due 2018 are guaranteed by the following subsidiaries: Cincinnati Bell Entertainment Inc., Cincinnati Bell Any Distance Inc., Cincinnati Bell Telecommunications Services LLC, Cincinnati Bell Wireless LLC, CBTS Software LLC, Cincinnati Bell Technology Solutions Inc., Cincinnati Bell Any Distance of Virginia LLC, eVolve Business Solutions LLC, Data Center Investments Inc., Data Center Investments Holdco LLC, Data Centers South Inc. and Data Centers South Holdings LLC.
The Parent Company owns directly or indirectly 100% of each guarantor and each guarantee is full and unconditional and joint and several. In certain customary circumstances, a subsidiary may be released from its guarantee obligation. These circumstances are defined as follows:

- upon the sale of all of the capital stock of a subsidiary,
- if the Company designates the subsidiary as an unrestricted subsidiary under the terms of the indentures, or
- if the subsidiary is released as a guarantor from the Company's Corporate Credit Agreement.

The Parent Company's subsidiaries generate substantially all of its income and cash flow and generally distribute or advance the funds necessary to meet the Parent Company's debt service obligations. The following information sets forth the Condensed Consolidating Statements of Operations and Comprehensive Income (Loss) for the three months ended March 31, 2014 and 2013, Condensed Consolidating Balance Sheets as of March 31, 2014 and December 31, 2013, and Condensed Consolidating Statements of Cash Flows for the three months ended March 31, 2014 and 2013 of (1) the Parent Company, as the issuer, (2) the guarantor subsidiaries on a combined basis, and (3) the non-guarantor subsidiaries on a combined basis.

Condensed Consolidating Statements of Operations and Comprehensive Income (Loss)

	Three Months Ended March 31, 2014				
(dollars in millions)	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Revenue	$—	$187.1	$149.8	$(14.4)	$322.5
Operating costs and expenses	6.1	172.9	101.0	(14.4)	265.6
Operating (loss) income	(6.1)	14.2	48.8	—	56.9
Interest expense (income), net	37.1	3.6	(0.4)	—	40.3
Other (income) expense, net	(0.3)	3.5	(3.1)	—	0.1
(Loss) income before equity in earnings of subsidiaries and income taxes	(42.9)	7.1	52.3	—	16.5
Income tax (benefit) expense	(11.5)	2.3	18.7	—	9.5
Equity in earnings of subsidiaries, net of tax	38.4	—	—	(38.4)	—
Net income	7.0	4.8	33.6	(38.4)	7.0
Other comprehensive income	1.8	—	—	—	1.8
Total comprehensive income	$8.8	$4.8	$33.6	$(38.4)	$8.8
Net income	7.0	4.8	33.6	(38.4)	7.0
Preferred stock dividends	2.6	—	—	—	2.6
Net income applicable to common shareowners	$4.4	$4.8	$33.6	$(38.4)	$4.4

	Three Months Ended March 31, 2013				
	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Revenue	$—	$175.7	$164.1	$(14.1)	$325.7
Operating costs and expenses	36.1	170.1	114.4	(14.1)	306.5
Operating (loss) income	(36.1)	5.6	49.7	—	19.2
Interest expense, net	35.8	3.9	8.2	—	47.9
Other (income) expense, net	(0.4)	4.7	(2.7)	—	1.6
(Loss) income before equity in earnings of subsidiaries and income taxes	(71.5)	(3.0)	44.2	—	(30.3)
Income tax (benefit) expense	(20.1)	9.5	17.0	—	6.4
Equity in earnings of subsidiaries, net of tax	14.7	0.7	—	(15.4)	—
Net (loss) income	(36.7)	(11.8)	27.2	(15.4)	(36.7)
Other comprehensive income (loss)	2.8	—	(0.2)	—	2.6
Total comprehensive (loss) income	$(33.9)	$(11.8)	$27.0	$(15.4)	$(34.1)
Net (loss) income	(36.7)	(11.8)	27.2	(15.4)	(36.7)
Preferred stock dividends	2.6	—	—	—	2.6
Net (loss) income applicable to common shareowners	$(39.3)	$(11.8)	$27.2	$(15.4)	$(39.3)

Condensed Consolidating Balance Sheets

	As of March 31, 2014				
(dollars in millions)	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Cash and cash equivalents	$1.9	$1.1	$1.2	$—	$4.2
Receivables, net	1.9	9.4	165.7	—	177.0
Other current assets	20.4	45.1	27.3	(0.6)	92.2
Total current assets	24.2	55.6	194.2	(0.6)	273.4
Property, plant and equipment, net	0.1	182.6	709.5	—	892.2
Investment in CyrusOne	—	462.2	—	—	462.2
Goodwill and intangibles, net	—	103.4	2.2	—	105.6
Investments in and advances to subsidiaries	1,437.6	(1.7)	254.6	(1,690.5)	—
Other noncurrent assets	332.8	194.6	4.6	(163.9)	368.1
Total assets	$1,794.7	$996.7	$1,165.1	$(1,855.0)	$2,101.5
Current portion of long-term debt	$5.4	$3.0	$3.7	$—	$12.1
Accounts payable	0.5	79.7	31.8	—	112.0
Other current liabilities	66.0	35.3	40.3	—	141.6
Total current liabilities	71.9	118.0	75.8	—	265.7
Long-term debt, less current portion	1,912.7	86.3	245.1	—	2,244.1
Other noncurrent liabilities	204.8	53.1	169.0	(164.5)	262.4
Intercompany payables	276.0	129.4	51.9	(457.3)	—
Total liabilities	2,465.4	386.8	541.8	(621.8)	2,772.2
Shareowners' (deficit) equity	(670.7)	609.9	623.3	(1,233.2)	(670.7)
Total liabilities and shareowners' equity (deficit)	$1,794.7	$996.7	$1,165.1	$(1,855.0)	$2,101.5

	As of December 31, 2013				
	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
Cash and cash equivalents	$2.1	$0.3	$2.2	$—	$4.6
Receivables, net	2.6	7.2	145.0	—	154.8
Other current assets	4.4	60.7	27.3	(0.7)	91.7
Total current assets	9.1	68.2	174.5	(0.7)	251.1
Property, plant and equipment, net	0.1				