CINCINNATI BELL INC
Form 10-K
February 25, 2016

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

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

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)

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 $0.01 per share)	New York Stock Exchange
6 $^{3}/_{4}$% Convertible Preferred Shares	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x
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 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. 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
The aggregate market value of the voting common shares owned by non-affiliates of the registrant was $0.8 billion, computed by reference to the closing sale price of the common stock on the New York Stock Exchange on June 30, 2015, the last trading day of the registrant's most recently completed second fiscal quarter. The Company has no non-voting common shares.

At January 31, 2016, there were 210,018,611 common shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
Portions of the definitive proxy statement relating to the Company's 2016 Annual Meeting of Shareholders are incorporated by reference into Part III of this report to the extent described herein.

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This report contains trademarks, service marks and registered marks of Cincinnati Bell Inc., as indicated.

Part I
Item 1. Business
Overview and Strategy
Cincinnati Bell Inc. and its consolidated subsidiaries ("Cincinnati Bell", "we", "our", "us" or the "Company") provides integrated communications and IT solutions that keep residential and business customers connected with each other and with the world. Through its Entertainment and Communications segment (formerly "Wireline"), the company provides high speed data, video, and voice solutions to consumers and businesses over an expanding fiber network and a legacy copper network. In addition, business customers across the United States rely on Cincinnati Bell Technology Solutions Inc. ("CBTS"), a wholly-owned subsidiary reported as the IT Services and Hardware segment, for the sale and service of efficient, end-to-end communications and IT systems and solutions. Cincinnati Bell also owns approximately 9.5% of CyrusOne Inc. (NASDAQ: CONE) ("CyrusOne"), which specializes in operating highly reliable enterprise-class, carrier-neutral data center properties.
Our goal is to continue the transformation of Cincinnati Bell from a legacy copper-based telecommunications company into a technology company with state of the art fiber assets servicing customers with data, video, voice and IT solutions to meet their evolving needs. To this end, leveraging our past and future investments creates a company with a healthy balance sheet, growing revenue, growing profitability and sustainable cash flows.
In an effort to achieve our objectives, we continue to focus on the following key initiatives:
•expand our local fiber network
•grow our IT Services and Hardware segment
•monetize our CyrusOne investment to reduce leverage
Expand our local fiber network
We invested $223.9 million of capital in our Entertainment and Communications' strategic products during 2015. Revenue from these high demand products totaled $365.7 million, up 18% over the prior year, and more than offset the decline in our legacy products. The primary focus of our strategic investments is the expansion of our Fioptics suite of products which is designed to compete directly with the cable Multiple System Operators (MSO) serving the Company’s ILEC market area. We invested $179.5 million in 2015 for Fioptics as demand for the products remains strong. Year-over-year growth is outlined in the table below:

	2015	2014	2013
Fioptics revenue (in millions):	$190.8	$142.4	$100.8
Fioptics subscribers (in thousands):			
High-speed internet	153.7	113.7	79.9
Video	114.4	91.4	74.2
Voice	77.4	61.0	53.3

During the year we passed an additional 97,000 addresses with Fioptics and as of December 31, 2015, the product is available to approximately 432,000 customer locations, or 53% of Greater Cincinnati. Our goal for 2016 is to pass an additional 70,000 addresses.
Included in capital for strategic products is $44.4 million of investment in fiber and IP-based core network technology to meet increased business and carrier demand primarily within our ILEC geography and in contiguous markets in the Midwest region for high-bandwidth data transport products, such as metro-ethernet and VoIP. We continue to evolve and optimize network assets to support the migration of legacy products to new technology and as of December 31, 2015, the Company has:
•connected approximately 7,500 commercial buildings with fiber-based services (also referred to as a lit building), including more than 630 multi-tenant units ("MTU's") lit with fiber;
•expanded the fiber network to span more than 8,100 route miles;

- captured significant small to medium business ("SMB") market share; and
- provided cell site back-haul services to more than 70% of the 1,100 cell sites in-market, of which approximately 500 are lit with fiber.

As a result of our strategic investments, we generated year-over-year Entertainment and Communications revenue growth for the second consecutive year, a key milestone in our transformational efforts. Customer demand for faster data speed and broadband usage is accelerating. We believe our fiber investments are a long-term solution for our customers bandwidth needs.

Grow our IT Services and Hardware Segment

Cincinnati Bell continues to develop high-demand products for business customers through our investments in fiber and other success-based technology, such as unified communications and cloud services. Our ability to migrate customers from legacy copper-based products to higher speed fiber-based offerings while being innovative as the technology demands of our customers change is important to the growth of our IT Services and Hardware segment. During 2015, the IT Services and Hardware Segment generated 29% revenue growth across all of our strategic products. Professional services increased 29% and Managed and Monitoring services generated year-over year revenue growth of 25%. Unified Communications revenue was up 18% in 2015 and Cloud Services increased 49% over 2014. Our goal is to foster our current enterprise relationships while increasing our number of small to mid-size customers both in and outside the Cincinnati market. As a company with a long history of managing customer network and technology needs, we combine the management of the network, whether owned by Cincinnati Bell or leased from other carriers out of territory, with integrated voice and IT offerings. We supply the architecture and integration intelligence, labor and hardware, as well as any combination of these services. These projects can be established based on hourly billing rates, service-level driven agreements or utility-based usage models. Customers are attracted to our ability to combine our historic knowledge, unique assets and talented workforce.

Monetize our CyrusOne investment to reduce our leverage

As of December 31, 2015, we own 9.5% of CyrusOne, which is held in the form of 6.9 million shares of CyrusOne common shares. The fair value of this investment was $257.9 million based on the quoted market price of CyrusOne's common stock at December 31, 2015. In determining the appropriate time to further monetize our CyrusOne investment, we will give due consideration to, among other factors: CyrusOne's stock price, market performance of other real estate investment trusts ("REIT") and overall market indicators. We will balance our objectives of reducing the risk associated with owning any equity security with the upside appreciation potential for our investment in CyrusOne.

Operations
As of December 31, 2015, the Company operated two segments: Entertainment and Communications and IT Services and Hardware. We generally classify our products and services into three distinct categories: Strategic, Legacy and Integration. The table below demonstrates how our products are categorized within the Entertainment and Communications and IT Services and Hardware segments:

Entertainment and Communications

	Strategic	Legacy	Integration
Data	Fioptics Internet	DSL (< 10 meg)	
	DSL (1) (> 10 meg)	DS0 (5), DS1, DS3	
	Ethernet	TDM (6)	
	Private Line		
	MPLS (2)		
	SONET (3)		
	Dedicated Internet Access		
	Wavelength		
	Audio Conferencing		
Voice	Fioptics Voice	Traditional Voice	
	VoIP (4)	Long Distance	
		Switched Access	
		Digital Trunking	
Video	Fioptics Video		
Services and Other	Wiring Projects	Advertising	Maintenance
		Directory Assistance	Information Services
			Wireless Handsets and Accessories

(1) Digital Subscriber Line
(2) Multi-Protocol Label Switching
(3) Synchronous Optical Network
(4) Voice over Internet Protocol
(5) Digital Signal
(6) Time Division Multiplexing

IT Services and Hardware

	Strategic	Integration
Professional Services	Consulting	Installation
	Staff Augmentation	
Unified Communications	Voice Monitoring	Maintenance
	Managed IP Telephony Solutions	
Cloud Services	Virtual Data Centers	
	Storage	
	Backup	
Monitoring and Management	Network Monitoring/Management	
	Security	
Telecom & IT Hardware		Hardware
		Software Licenses

Entertainment and Communications

The Entertainment and Communications segment provides products and services such as high-speed internet, data transport local voice, long distance, VoIP, video and other services. Cincinnati Bell Telephone Company LLC ("CBT"), a subsidiary of the Company, is the Incumbent Local Exchange Carrier ("ILEC") for a geography that covers a radius of approximately 25 miles around Cincinnati, Ohio, and includes parts of northern Kentucky and southeastern Indiana. CBT has operated in this territory for over 140 years. The segment also provides voice and data services beyond its ILEC territory, particularly in Dayton and Mason, Ohio, through the operations of Cincinnati Bell Extended Territories LLC ("CBET"), a competitive local exchange carrier ("CLEC") and subsidiary of CBT. The Entertainment and Communications segment provides long distance and VoIP services primarily through its Cincinnati Bell Any Distance Inc. ("CBAD") and eVolve Business Solutions LLC ("eVolve") subsidiaries. The key products and services provided by the Entertainment and Communications segment include the following:

Data

The Company's data products include high-speed internet access, data transport and interconnection services. Consumer demand for increased internet speeds is accelerating and more customers are opting for higher bandwidth solutions such as Fioptics. To address this demand, we are able to provide internet speeds of 10 megabits or more to approximately 550,000 addresses, more than 65% of our operating territory, with the coverage increasing as we expand our fiber network.

As business customers migrate from legacy products and copper-based technology, our metro-ethernet product becomes the access method of choice due to its ability to support multiple applications on a single physical connection. The Company continues to build out fiber to MTU's in Greater Cincinnati to meet growing demand for these services. We are also expanding our metro-ethernet platform to deliver services across a wider geography to target business customers beyond our ILEC footprint. The Company’s regional network connects Greater Cincinnati, Columbus, and Dayton, Ohio, as well as Indianapolis, Indiana; Chicago, Illinois; and Louisville, Kentucky.

Voice

Voice represents local service, including Fioptics voice lines. It also includes VoIP, long distance, digital trunking, switched access and other value-added services such as caller identification, voicemail, call waiting and call return. The Company's voice access lines continue to decrease as our customers have increasingly employed wireless technologies in lieu of wireline voice services ("wireless substitution") or migrated to competitors.

Residential and business customers purchasing traditional long distance service can choose from a variety of long distance plans, which include unlimited long distance for a flat fee, purchase of minutes at a per-minute-of-use rate, or a fixed number of minutes for a flat fee. The Company's long distance lines and related minutes of use have continued to decline as a result of wireless substitution and the migration to VoIP technology. Our VoIP products provide access to widely disbursed communication platforms and access to our cloud based services and hosted unified communications product for customers ranging from small businesses to large enterprise customers.

Video

In 2009, the Company launched Fioptics and focused our fiber network investment on densely populated areas, such as apartments and condominiums. Fioptics is available to approximately 53% of Greater Cincinnati and as of December 31, 2015, we have 114,400 video subscribers. Our Fioptics customers enjoy access to over 400 entertainment channels, including digital music, local, movie, and sports programming, as well as Indian and Spanish-language packages, over 120 high-definition channels, parental controls, HD DVR and video On-Demand. In addition, we offer features that deliver high customer satisfaction, including Fioptics TV Everywhere ™ and a Fioptics live TV streaming application.

Services and Other Revenue

Services and other revenue consists of revenue generated from wiring projects for business customers, advertising, directory assistance, maintenance, information services and commissions received as an authorized sales agent for DirecTV® and Verizon Wireless.

IT Services and Hardware

IT Services and Hardware provides a full range of managed IT solutions, including managed telephony, network and infrastructure services, equipment sales, and professional IT staffing services. These services and products are provided in various geographic areas throughout the United States and the United Kingdom through the Company's subsidiaries. By offering a full range of equipment and managed services in conjunction with Cincinnati Bell's network expertise, the IT Services and Hardware segment provides end-to-end IT and telecommunications solutions designed to reduce cost and mitigate risk while optimizing performance for its customers.

The key products and services provided by the IT Services and Hardware segment include the following:

Professional Services

The Company's professional services offerings consist of consulting, staffing, installation and project-based engagements, including engineering and installation of voice, connectivity and IT technologies, development of application solutions and staff augmentation by highly skilled and industry-certified technical resources. Engagements can be short-term IT implementation and project-based work as well as longer term staffing and permanent placement assignments. The Company utilizes a team of experienced recruiting and hiring personnel to provide its customers with a wide range of skilled IT professionals. Additionally, we also manage the maintenance of a large base of local customers with traditional voice systems as well as converged VoIP systems.

Unified Communications

CBTS offers a complete portfolio of hosted solutions that include converged IP communications platforms of data, voice, video and mobility applications. We offer our customers expert management for all hardware and software components, including maintenance contracts and service level agreement ("SLA") based services. Fully hosted and managed, these voice platforms and applications can also be delivered as cloud services for a monthly utility fee.

The solutions offered include communications as a service model in a cloud environment. We provide hosted communications and solutions that deliver the efficiencies of next-generation VoIP services. Our conferencing solutions offer cloud-based audio, video, and web conferencing services accessible from any connected device. Our cloud call center application offering features speech-enabled IVR, call-back services, call analytics and surveys. The cloud call recording application features speech analytics, alerts and notification, and improved customer satisfaction and productivity.

Cloud Services

Virtual data center ("VDC") is a robust and scalable virtual infrastructure consisting of equipment, security, people and processes. This offering is provided in three different models: private cloud, dedicated cloud or public cloud; and provides customers with either a long term or a short term flexible solution that is fully managed by CBTS and monitored around the clock from our network operations center.

CBTS storage is a flexible, on-demand storage solution that enables businesses to eliminate capital expenditures and ongoing asset management with SLA-based services. CBTS offers Tier I, Tier II and Tier III storage to meet its customers availability, accessibility, protection, performance and capacity needs.

CBTS backup is a scalable solution that allows businesses to eliminate capital outlay and ongoing equipment management with SLA-based services and includes virtual data center, hardware, software, monitoring and support.

Management & Monitoring

CBTS provides SLA-based managed services utilizing our Enterprise Network Operations Center ("ENOC"). The ENOC includes highly certified engineers and operation experts that proactively monitor and manage our customers' technology environments and applications. Standalone monitoring services provide customers with scheduled and automatic checks of customers' servers, routers, switches, load balancers and firewalls. We also provide customers with advance trouble shooting, repair and changes of customers' servers, routers, switches, load balancers and other network devices from our ENOC. These services can be provided to customers with CBTS provided equipment or customer-owned equipment and do not have geographical constraints. Services can be purchased individually or bundled by combining multiple products, services, and assets into a utility or service model.

Telecom and IT Hardware

The Company maintains premium resale relationships and certifications with a variety of branded technology vendors which allows it to competitively sell, architect and install a wide array of telecommunications and IT infrastructure equipment to meet the needs of its customers.

Investment in CyrusOne

Cincinnati Bell owns approximately 9.5% of CyrusOne (NASDAQ: CONE), through its ownership of 6.9 million shares of CyrusOne's common shares. At December 31, 2015, the fair value of this investment was $257.9 million based on the quoted market price of CyrusOne's common stock.

Sales and Distribution Channels

The Company’s Entertainment and Communications segment utilizes a number of distribution channels to acquire customers. Subsequent to the agreement to sell our wireless spectrum licenses, we rebranded our retail stores to market and distribute our Fioptics suite of products. As of December 31, 2015, the Company operated eight retail stores in its operating territory. The Company works to locate retail stores in high traffic but affordable areas, with a distance between each store that considers optimal returns per store and customer convenience. The Company also offers fully-automated, end-to-end web-based sales of various other Company services and accessories. In addition, the Company utilizes a call center as well as a door-to-door sales force to target the sale of Fioptics to residents.

For both Entertainment and Communications and IT Services and Hardware, we utilize a business-to-business sales force and a call center organization to reach business customers in our operating territory. Larger business customers are supported by sales account representatives that understand the customer's technology needs and recommend Company offered solutions. Smaller business customers are supported through a telemarketing sales force, customer representatives and store locations.

Suppliers and Product Supply Chain

The Company generally subjects purchases to competitive bids and selects its vendors based on price, service level, delivery, quality of product and terms and conditions.

Entertainment and Communication’s primary purchases are for network equipment, software, and fiber cable to maintain and support the growth of Fioptics. The Company maintains facilities and operations for storing cable and other equipment, product distribution and customer fulfillment.

IT Services and Hardware primarily purchases IT and telephony equipment that is either sold to a customer or used to provide service to the customer. The Company is a certified distributor of Cisco, EMC, Avaya and Oracle equipment. Most of this equipment is shipped directly to the customer from vendor locations but the Company does maintain warehouse facilities for replacement parts and equipment testing and staging.

In addition, we have long-term commitments to outsource various services, such as certain information technology functions, cash remittance and accounts payable functions, call center operations and maintenance services.

Competition

The telecommunications industry is very competitive and the Company competes against larger, well-capitalized national providers.

The Entertainment and Communications segment faces competition from other local exchange carriers, wireless service providers, inter-exchange carriers, as well as cable, broadband, and internet service providers. The Company has lost, and will likely continue to lose, access lines as a part of its customer base utilizes the services of competitive wireline or wireless providers in lieu of the Company’s services. Wireless providers, particularly those that provide unlimited wireless service plans with no additional fees for long distance, offer customers a substitution service for the Company’s local voice and long-distance services. The Company believes wireless substitution is the reason for the largest portion of the Company’s access line and long-distance line losses.

Our strategic products also face intense competition from cable operators, other telecom companies and niche fiber companies. Many of our competitors have lower operating costs and access to resources that provide economies of scale allowing them to more aggressively price products which they are able to provide on a much broader scale given their expanded geographic operations. Our competitors are expected to continuously upgrade their service quality and offerings which could substantially erode the competitive advantage we currently have with our fiber-based products. These competitive factors could limit the Company's ability to grow revenue and cash flows despite the strategic initiatives implemented.

The Fioptics suite of products also face competition from a number of different sources, including companies that deliver movies, television shows and other video programming over broadband Internet connections. Increasingly, content owners are utilizing Internet-based delivery of content directly to consumers, some without charging a fee for access to the content. Furthermore, due to consumer electronics innovations, consumers are able to watch such Internet-delivered content on television sets and mobile devices. Increased customer migration to these non-traditional entertainment products could result in increased Fioptics churn and decreased penetration.

The IT Services and Hardware segment competes against numerous other information technology consulting, web-hosting, and computer system integration companies, many of which are larger in scope and well-financed. The Company believes that participants in this market must grow rapidly and achieve significant scale to compete effectively. Other competitors may consolidate with larger companies or acquire software application vendors or technology providers, enabling them to more effectively compete. This consolidation could affect prices and other competitive factors in ways that could impede the ability of these businesses to compete successfully in the market.

Customers

The following table demonstrates how the Company’s revenue portfolio has changed over the past three years.

Percentage of revenue	2015		2014		2013		2015 vs 2014 Change		2014 vs 2013 Change	
Strategic	46	%	38	%	35	%	8	pts	3	pts
Legacy	31	%	35	%	43	%	(4	)	(8	)
Integration	23	%	27	%	22	%	(4	)	5	
Total	100	%	100	%	100	%				

Percentage of revenue	2015		2014		2013		2015 vs 2014 Change		2014 vs 2013 Change	
Consumer	29	%	27	%	28	%	2	pts	(1	) pt
Business	61	%	62	%	60	%	(1	)	2	
Carrier	10	%	11	%	12	%	(1	)	(1	)
Total	100	%	100	%	100	%				

The Company has sales with one large customer, General Electric Company. ("GE"), that contributed 12% and 14% of the Company’s 2015 and 2014 annual revenue, respectively.

Employees

At December 31, 2015, the Company had approximately 3,250 employees, and approximately 30% of its employees are covered under a collective bargaining agreement with the Communications Workers of America (“CWA”), which is affiliated with the AFL-CIO. A new contract with the CWA was ratified on February 27, 2015 and will be in effect through May 12, 2018.

Website Access and Other Information

The Company was incorporated under the laws of Ohio in 1983 with its headquarters at 221 East Fourth Street, Cincinnati, Ohio 45202 (telephone number (513) 397-9900 and website address http://www.cincinnatibell.com). The Company files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC") under the Exchange Act of 1934 (the "Exchange Act"). These reports and other information filed by the Company may be read and copied at the Public Reference Room of the SEC, 100 F Street N.E., Washington D.C., 20549. Information about the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site that contains reports, proxy statements, and other information about issuers, like the Company, which file electronically with the SEC. The address of that site is http://www.sec.gov. The Company makes available its reports on Form 10-K, 10-Q, and 8-K (as well as all amendments to these reports), proxy statements and other information, free of charge, at the Investor Relations section of its website.

Executive Officers

Refer to Part III, Item 10. "Directors, Executive Officers and Corporate Governance" of this Annual Report on Form 10-K for information regarding executive officers of the registrant.

Business Segment Information

The amounts of revenue, intersegment revenue, operating income, expenditures for long-lived assets, and depreciation and amortization attributable to each of the Company's business segments for the years ended December 31, 2015, 2014, and 2013, and assets as of December 31, 2015 and 2014 are set forth in Note 16 to the consolidated financial statements.

Item 1A. Risk Factors

In addition to the other information contained in this Form 10-K, the following risk factors should be considered carefully in evaluating us. Our business, financial condition, liquidity or results of operations could be materially affected by any of these risks.

Risk Factors Related to our Business and Operations

The Company operates in highly competitive industries, and customers may not continue to purchase products or services, which would result in reduced revenue and loss of market share.

The telecommunications industry is very competitive and the Company competes against larger, well-capitalized national providers. Competitors may reduce pricing, create new bundled offerings, or develop new technologies, products or services. If the Company cannot continue to offer reliable, competitively priced, value-added services, or if the Company does not keep pace with technological advances, competitive forces could adversely affect it through a loss of market share or a decrease in revenue and profit margins. The Company has lost, and will likely continue to lose, access lines as a part of its customer base utilizes the services of competitors.

The Entertainment and Communications segment faces competition from other local exchange carriers, wireless service providers, inter-exchange carriers, and cable, broadband and internet service providers. Wireless providers, particularly those that provide unlimited wireless service plans with no additional fees for long distance, offer customers a substitution service for the Company's access lines and long distance lines. The Company believes wireless substitution accounts for the largest portion of its access line losses. Also, cable competitors that have existing service relationships with CBT's customers also offer substitution services, such as VoIP and long distance voice services in the Company's operating areas. Partially as a result of wireless substitution and increased competition, CBT's legacy voice lines decreased by 14% and long distance subscribers decreased by 6% in 2015 compared to 2014.

Our strategic products also face intense competition from cable operators, other telecom companies and niche fiber companies. Many of our competitors have lower operating costs and access to resources that provide economies of scale allowing them to more aggressively price products, which they are able to provide on a much broader scale

given their expanded geographic operations. Our competitors are expected to continuously upgrade their service quality and offerings, which could substantially erode the competitive advantage we currently have with our fiber-based products. These competitive factors could limit the Company's ability to grow revenue and cash flows despite the strategic initiatives implemented.

The Fioptics suite of products also faces competition from a number of different sources, including companies that deliver movies, television shows and other video programming over broadband Internet connections. Increasingly, content owners are utilizing Internet-based delivery of content directly to consumers, some without charging a fee for access to the content. Furthermore, due to consumer electronics innovations, consumers are able to watch such Internet-delivered content on television sets and mobile devices. Increased customer migration to these non-traditional entertainment products could result in increased Fioptics churn and decreased penetration. If the Company is unable to effectively implement strategies to attract and retain Fioptics video and high-speed internet subscribers, retain access lines and long distance subscribers, or replace such customers with other sources of revenue, the Company's Entertainment and Communications business will be adversely affected.

The IT Services and Hardware segment competes against numerous other information technology consulting, web-hosting, and computer system integration companies, many of which are large in scope and well-financed. This market is rapidly evolving and highly competitive. Other competitors may consolidate with larger companies or acquire software application vendors or technology providers, which may provide competitive advantages. The Company believes that many of the participants in this market must grow rapidly and achieve significant scale to compete effectively. This consolidation could affect prices and other competitive factors in ways that could impede our ability to compete successfully in the market.

The competitive forces described above could have a material adverse impact on the Company’s business, financial condition, results of operations and cash flows.

Accelerating the pace of investment in our Fioptics suite of products could have a negative impact on our financial results.

In 2014, we began accelerating the pace of investment in our Fioptics suite of products due to a progressive change in customer expectations for increased internet speeds. We intend to continue such accelerated investments through 2016. There are several factors that could result in a negative effect on our revenue, operating income and cash flows, such as:

- our costs could significantly exceed expectations;
- the acceleration may not generate the expected increase in subscribers;
- it may be inefficient to build out the additional fiber at an accelerated rate;
- there may be a lack of workforce to achieve our construction, sales and installation targets; and
- access to the fiber required for our construction plans may be limited.

The Company may be unable to grow our revenues and cash flows despite the initiatives we have implemented.

We must produce adequate revenues and cash flows that, when combined with cash on hand and funds available under our revolving credit facilities, will be sufficient to service our debt, fund our capital expenditures, pay our taxes, fund our pension and other employee benefit obligations and pay preferred dividends pursuant to our dividend policy. We have identified some potential areas of opportunity and implemented several growth initiatives, including increasing marketing promotions and related expenditures and launching new products and services with a focus on areas that are growing such as Fioptics, other fiber-based service offerings and IT solutions. We cannot be assured that these opportunities will be successful or that these initiatives will improve our financial position or our results of operations.

Failure to anticipate the need for and introduce new products and services or to compete with new technologies may compromise the Company’s success in the telecommunications industry.

The Company’s success depends, in part, on being able to anticipate the needs of current and future business, carrier and residential customers. The Company seeks to meet these needs through new product introductions, service quality and technological improvements. New products and services are important to the Company’s success because its industry is technologically driven, such that new technologies can offer alternatives to the Company’s existing services. The development of new technologies and products could accelerate the Company’s loss of access lines or limit the growth from its strategic products, which would have a material adverse effect on the Company’s revenue, results of operations, financial condition and cash flows.

The Company’s access lines, which generate a significant portion of its cash flows and profits, are decreasing in number. If the Company continues to experience access line losses similar to the past several years, its revenues, earnings and cash flows from operations may be adversely impacted.

The Company generates a substantial portion of its revenues by delivering voice and data services over access lines. The Company's local telecommunications subsidiary, CBT, has experienced substantial access line losses over the past several years due to a number of factors, including wireless and broadband substitution and increased competition. The Company expects access line losses to continue into the foreseeable future. Failure to retain access lines without replacing such losses with an alternative source of revenue would adversely impact the Company's revenues, earnings and cash flow from operations.

Some of our strategic products generate lower profit margins than our traditional services, and some can be expected to experience slowing growth as increasing numbers of our existing or potential customers subscribe to these newer products. Moreover, we cannot provide assurance that the revenues generated from our new offerings will offset revenue losses from the reduced sales of our legacy products or that our new strategic offerings will be as successful as anticipated.

The Company's failure to meet performance standards under its agreements could result in customers terminating their relationships with the Company or customers being entitled to receive financial compensation, which would lead to reduced revenues and/or increased costs.

The Company's agreements with its customers contain various requirements regarding performance and levels of service. If the Company fails to provide the levels of service or performance required by its agreements, customers may be able to receive service credits to their accounts and other financial compensation, and also may be able to terminate their relationship with the Company. In order to provide these levels of services, the Company is required to protect against human error, natural disasters, equipment failure, power failure, sabotage and vandalism, and have disaster recovery plans available for disruption of services. The failure to address these or other events may result in a disruption of services. In addition, any inability to meet service level commitments or other performance standards could reduce the confidence of customers and could consequently impair the Company's ability to attract and retain customers, which would adversely affect the Company's ability to generate revenues and operating results.

The Company generates a substantial portion of its revenue by serving a limited geographic area.

The Company generates a substantial portion of its revenue by serving customers in Greater Cincinnati and Dayton, Ohio. An economic downturn or natural disaster occurring in this limited operating territory would have a disproportionate effect on the Company's business, financial condition, results of operations and cash flows compared to similar companies of a national scope and similar companies operating in different geographic areas.

A large customer accounts for a significant portion of the Company’s revenues and accounts receivable. The loss or significant reduction in business from this customer would cause operating revenues to decline significantly and have a materially adverse long-term impact on the Company’s business.

As of December 31, 2015 and 2014, the Company had receivables from GE that account for up 22% and 26% of the outstanding accounts receivable balance, respectively. GE contributed 12% and 14% to consolidated revenue for the years ended 2015 and 2014, respectively. As a result of this concentration, the Company's results of operations and financial condition could be materially affected if the Company lost this customer or if services purchased were significantly reduced. If GE were to default on its accounts receivable obligations, the Company would be exposed to potentially significant losses in excess of the provisions established. This would also negatively impact the available borrowing capacity under the accounts receivable securitization facility ("Receivables Facility").

Maintaining the Company's telecommunications networks requires significant capital expenditures, and its inability or failure to maintain its telecommunications networks would have a material impact on its market share and ability to generate revenue.

Over the past several years, the Company has improved its wireline network through increased capital expenditures for fiber optic cable in areas of its operating network. The Company is accelerating the pace of investment in its Fioptics suite of services and intends to continue its capital expenditures for fiber optic cable through 2016.

In order to provide appropriate levels of service to the Company's customers, the network infrastructure must be protected against damage from human error, natural disasters, unexpected equipment failure, power loss or telecommunications failures, terrorism, sabotage or other intentional acts of vandalism. The Company's networks may not address all of the problems that may be encountered in the event of a disaster or other unanticipated problems, which may result in disruption of service to customers.

The Company may also incur significant additional capital expenditures as a result of unanticipated developments, regulatory changes and other events that impact the business.

Increases in broadband usage may cause network capacity limitations, resulting in service disruptions or reduced capacity for customers.

Video streaming services and peer-to-peer file sharing applications use significantly more bandwidth than traditional Internet activity such as web browsing and email. As utilization rates and availability of these services continue to grow, our high-speed Internet customers may use much more bandwidth than in the past. If this occurs, we could be required to make significant capital expenditures to increase network capacity in order to avoid service disruptions or reduced capacity for customers.

We may not be able to recover the costs of the necessary network investments. This would result in an adverse impact to our results of operations and financial condition.

We may be liable for the material that content providers distribute over our networks.

The law relating to the liability of private network operators for information carried on, stored or disseminated through their networks is still unsettled. As such, we could be exposed to legal claims relating to content disseminated on our networks. Claims could challenge the accuracy of materials on our network or could involve matters such as defamation, invasion of privacy or copyright infringement. If we need to take costly measures to reduce our exposure to these risks or are required to defend ourselves against such claims, our financial results would be negatively affected.

Cyber attacks or other breaches of network or other information technology security could have an adverse effect on our business.

Cyber attacks or other breaches of network or information technology security may cause equipment failures or disruptions to our operations. Our inability to operate our wireline networks as a result of such events, even for a limited period of time, may result in significant expenses and/or loss of market share to other communications providers. In addition, the potential liabilities associated with these events could exceed the insurance coverage we maintain. Cyber attacks, which include the use of malware, computer viruses and other means for disruption or unauthorized access, have increased in frequency, scope and potential harm in recent years. While, to date, we have not been subject to cyber attacks or other cyber incidents which, individually or in the aggregate, have been material to our operations or financial condition, the preventative actions we take to reduce the risk of cyber incidents and protect our information technology and networks may be insufficient to repel a major cyber attack in the future. The costs associated with a major cyber attack could include expensive incentives offered to existing customers and business partners to retain their business, increased expenditures on cyber security measures, lost revenues from business interruption, litigation and damage to our reputation. If we fail to prevent the theft of valuable information such as financial data, sensitive information about the Company and intellectual property, or if we fail to protect the privacy of customer and employee confidential data against breaches of network or information technology security, it would result in damage to our reputation, which could adversely impact customer and investor confidence. Any of these occurrences could result in a material adverse effect on our results of operations and financial condition.

Natural disasters, terrorist acts or acts of war could cause damage to our infrastructure and result in significant disruptions to our operations.

Our business operations are subject to interruption by natural disasters, power outages, terrorist attacks, other hostile acts and events beyond our control. Such events could cause significant damage to our infrastructure, resulting in degradation or disruption of service to our customers. While we maintain insurance coverage for some of these events, the potential liabilities associated with these events could exceed the insurance coverage we maintain. Our system redundancy may be ineffective or inadequate and our disaster recovery planning may not be sufficient for all eventualities. These events could also damage the infrastructure of suppliers that provide us with the equipment and services we need to operate our business and provide products to our customers. A natural disaster or other event causing significant physical damage would cause us to experience substantial losses resulting in significant recovery time and expenditures to resume operations. In addition, these occurrences could result in lost revenues from business interruption as well as damage to our reputation.

The regulation of the Company's businesses by federal and state authorities may, among other things, place the Company at a competitive disadvantage, restrict its ability to price its products and services, and threaten its operating licenses.

Several of the Company's subsidiaries are subject to regulatory oversight of varying degrees at both the state and federal levels, which may differ from the regulatory scrutiny faced by the Company's competitors. A significant portion of CBT's revenue is derived from pricing plans that require regulatory overview and approval. These regulated pricing plans limit the rates CBT charges for some services while the competition has typically been able to set rates for services with limited restriction. In the future, regulatory initiatives that would put CBT at a competitive disadvantage or mandate lower rates for its services would result in lower profitability and cash flows for the Company. In addition, different regulatory interpretations of existing regulations or guidelines may affect the Company's revenues and expenses in future periods.

At the federal level, CBT is subject to the Telecommunications Act of 1996 (the "1996 Act"), including the rules subsequently adopted by the FCC to implement the 1996 Act, which has impacted CBT's in-territory local exchange operations in the form of greater competition. At the state level, CBT conducts local exchange operations in portions of Ohio, Kentucky, and Indiana, and, consequently, is subject to regulation by the Public Utilities Commissions in those states. Various regulatory decisions or initiatives at the federal or state level may from time to time have a negative impact on CBT's ability to compete in its markets.

From time to time, different regulatory agencies conduct audits to ensure that the Company is in compliance with the respective regulations. The Company could be subject to fines and penalties if found to be out of compliance with these regulations, and these fines and penalties could be material to the Company's financial condition.

There are currently many regulatory actions under way and being contemplated by federal and state authorities regarding issues that could result in significant changes to the business conditions in the telecommunications industry. In addition, in connection with our Internet access offerings, we could become subject to laws and regulations as they are adopted or applied to the Internet. There is currently only limited regulation applicable to these services. As the significance of the Internet continues to grow, federal, state and local governments may pass laws and adopt rules and regulations or apply existing laws and regulations to the Internet (including Internet access services), and related matters are under consideration in both federal and state legislative and regulatory bodies. We cannot provide any assurances that changes in current or future regulations adopted by the FCC or state regulators, or other legislative, administrative, or judicial initiatives relating to the telecommunications industry, will not have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

The Company depends on a number of third-party providers, and the loss of, or problems with, one or more of these providers may impede the Company's growth or cause it to lose customers.

The Company depends on third-party providers to supply products and services. For example, many of the Company's information technology and call center functions are performed by third-party providers, and network equipment is purchased from and maintained by vendors. The loss of or problems with one or more of these third-party providers may result in an adverse effect on our ability to provide products and services to our customers and on our results of operations and financial condition.

A failure of back-office information technology systems could adversely affect the Company's results of operations and financial condition.

The efficient operation of the Company's business depends on back-office information technology systems. The Company relies on back-office information technology systems to effectively manage customer billing, business data, communications, supply chain, order entry and fulfillment and other business processes. A failure of the Company's information technology systems to perform as anticipated could disrupt the Company's business and result in a failure to collect accounts receivable, transaction errors, processing inefficiencies, and the loss of sales and customers, causing the Company's reputation and results of operations to suffer. In addition, information technology systems may be vulnerable to damage or interruption from circumstances beyond the Company's control, including fire, natural disasters, systems failures, security breaches and viruses. Any such damage or interruption could have a material adverse effect on the Company's business.

If the Company fails to extend or renegotiate its collective bargaining agreements with its labor union when they expire or if its unionized employees were to engage in a strike or other work stoppage, the Company’s business and operating results could be materially harmed.

The Company is a party to collective bargaining agreements with its labor union, which represents approximately 30% of its employees. No assurance can be given that the Company will be able to successfully extend or renegotiate its collective bargaining agreements in the future. If the Company fails to extend or renegotiate its collective bargaining agreements, if disputes with its union arise, or if its unionized workers engage in a strike or a work stoppage, the Company could experience a significant disruption of operations or incur higher ongoing labor costs, either of which would have a material adverse effect on the business.

The loss of any of the senior management team or attrition among key sales associates could adversely affect the Company’s business, financial condition, results of operations and cash flows.

The Company’s success will continue to depend, to a significant extent, on its senior management team and key sales associates. Senior management has specific knowledge relating to the Company and the industry that would be difficult to replace. The loss of key sales associates could hinder the Company’s ability to continue to benefit from long-standing relationships with customers. The Company cannot provide any assurance that it will be able to retain the current senior management team or key sales associates. The loss of any of these individuals could adversely affect the Company’s business, financial condition, results of operations and cash flows.

Risks Related to our Indebtedness

The Company’s debt could limit its ability to fund operations, raise additional capital, and fulfill its obligations, which, in turn, would have a material adverse effect on its businesses and prospects generally.

As of December 31, 2015, the Company and its subsidiaries had outstanding indebtedness of $1,245.6 million, on which it incurred $103.1 million of interest expense in 2015, and had total shareowners’ deficit of $298.2 million. At December 31, 2015, the Company and its subsidiaries had $90.3 million of borrowing availability under its Receivables Facility and had the ability to borrow up to an additional $175.0 million under the Corporate Credit Agreement's revolving credit facility, subject to compliance with certain conditions. In addition, the Company's ability to incur additional debt from time to time is subject to the restrictions contained in its credit facilities and other debt instruments.

The Company’s debt has important consequences, including the following:

- the Company is required to use a substantial portion of its cash flow from operations to pay principal and interest on its debt, thereby reducing the availability of cash flow to fund working capital, capital expenditures, strategic acquisitions, investments and alliances, and other general corporate requirements;
- there is a variable interest rate on a portion of its debt which could increase if the market interest rates increase;
- the Company’s debt increases its vulnerability to adverse changes in the credit markets, which adverse changes could increase the Company's borrowing costs and limit the availability of financing;
- the Company’s debt service obligations limit its flexibility to plan for, or react to, changes in its business and the industries in which it operates;
- the Company’s level of debt and shareowners’ deficit may restrict it from raising additional financing on satisfactory terms to fund working capital, capital expenditures, strategic acquisitions, investments and alliances, and other general corporate requirements; and
- the Company’s debt instruments require the Company to comply with specified financial ratios and other restrictive covenants. Failure to comply with these covenants, if not cured or waived, could limit availability to the cash required to fund the Company's operations and general obligations and could result in the Company’s dissolution, bankruptcy, liquidation or reorganization.

The Company’s creditors and preferred stockholders have claims that are superior to claims of the holders of the Company's common stock. Accordingly, in the event of the Company’s dissolution, bankruptcy, liquidation, or reorganization, payment is first made on the claims of creditors of the Company and its subsidiaries, then preferred stockholders, and finally, if amounts are available, to holders of the Company's common stock.

The Corporate Credit Agreement and other indebtedness impose significant restrictions on the Company.
The Company’s debt instruments impose, and the terms of any future debt may impose, operating and other restrictions on the Company. These restrictions affect, and in many respects limit or prohibit, among other things, the Company’s ability to:

- incur additional indebtedness;
- create liens;
- make investments;
- enter into transactions with affiliates;
- sell assets;
- guarantee indebtedness;
- declare or pay dividends or other distributions to shareholders;
- repurchase equity interests;
- redeem debt that is junior in right of payment to such indebtedness;
- enter into agreements that restrict dividends or other payments from subsidiaries;
- issue or sell capital stock of certain of its subsidiaries; and
- consolidate, merge, or transfer all or substantially all of its assets and the assets of its subsidiaries on a consolidated basis.

In addition, the Company’s Corporate Credit Agreement and debt instruments include restrictive covenants that may materially limit the Company’s ability to prepay debt and redeem preferred stock. The agreements governing the Corporate Credit Agreement also require the Company to achieve and maintain compliance with specified financial ratios.
The restrictions contained in the terms of the Corporate Credit Agreement and its other debt instruments could:

- limit the Company’s ability to plan for or react to market conditions or meet capital needs or otherwise restrict the Company’s activities or business plans; and
- adversely affect the Company’s ability to finance its operations, strategic acquisitions, investments or alliances, or other capital needs, or to engage in other business activities that would be in its interest.

A breach of any of the debt's restrictive covenants or the Company’s inability to comply with the required financial ratios would result in a default under some or all of the debt agreements. During the occurrence and continuance of a default, lenders may elect to declare all outstanding borrowings, together with accrued interest and other fees, to be immediately due and payable. Additionally, under the Corporate Credit Agreement, the lenders may elect not to provide loans until such default is cured or waived. The Company’s debt instruments also contain cross-acceleration provisions, which generally cause each instrument to be subject to early repayment of outstanding principal and related interest upon a qualifying acceleration of any other debt instrument. Failure to comply with these covenants, if not cured or waived, would limit the cash available to the Company required to fund operations and its general obligations and could result in the Company’s dissolution, bankruptcy, liquidation or reorganization.
The Company depends on its Corporate Credit Agreement and Receivables Facility to provide for its short-term financing requirements in excess of amounts generated by operations, and the availability of those funds may be reduced or limited.
The Company depends on the revolving credit facilities under its Corporate Credit Agreement and its Receivables Facility to provide for short-term financing requirements in excess of amounts generated by operations. The Corporate Credit Agreement's revolving credit facility has a maturity date of July 15, 2017. The Receivables Facility has a termination date of May 30, 2018, is subject to renewal every 364 days, with the next renewal occurring on May 30, 2016.
As of December 31, 2015, the Company had no outstanding borrowings under the Corporate Credit Agreement's revolving credit facility, leaving $175.0 million in additional borrowing availability under this facility. The $175.0 million available under the Corporate Credit Agreement's revolving credit facility is funded by various financial institutions. If one or more of these banks is not able to fulfill its funding obligations, the Company’s financial condition would be adversely affected.

Effective with our sale of 16.0 million partnership units to CyrusOne, Inc. on June 25, 2014 for $355.9 million, the amount available under the Corporate Credit Agreement's revolving credit facility was reduced to $150.0 million from its original capacity of $200.0 million. The Company entered into an Incremental Assumption Agreement to the Company's existing Corporate Credit Agreement on April 6, 2015, and effective with our sale of 14.3 million CyrusOne LP operating partnership units on April 7, 2015 for $426.0 million, the aggregate available borrowings on the Corporate Credit Agreement's revolving credit facility increased to $175.0 million for the remainder of the term.

In addition, the Company's ability to borrow under its Corporate Credit Agreement is subject to the Company's compliance with covenants, including covenants requiring compliance with specified financial ratios. Failure to satisfy these covenants would constrain or prohibit its ability to borrow under these facilities.

As of December 31, 2015, the Company had $17.6 million of borrowings and $6.3 million of letters of credit that were outstanding under its Receivables Facility. At that date, the Company had a borrowing capacity under this Receivables Facility of $114.2 million and a maximum borrowing limit of $120.0 million. The available borrowing capacity is calculated monthly based on the amount and quality of outstanding accounts receivable and thus may be lower than the maximum borrowing limit. If the quality of the Company's accounts receivables deteriorates, this will negatively impact the available capacity under this facility. As of December 31, 2015, the Company had $90.3 million of borrowing capacity remaining under its Receivables Facility.

The servicing of the Company's indebtedness is dependent on its ability to generate cash, which could be impacted by many factors beyond its control.

The Company's ability to generate cash is subject to general economic, financial, competitive, legislative, regulatory, and other factors, many of which are beyond its control. The Company cannot provide assurance that its business will generate sufficient cash flow from operations, additional sources of debt financing will be available, or future borrowings will be available under its Corporate Credit Agreement or Receivables Facility, in each case, in amounts sufficient to enable the Company to service its indebtedness or to fund other liquidity needs. If the Company cannot service its indebtedness, it will have to take actions such as reducing or delaying capital expenditures, strategic acquisitions, investments and alliances, or selling assets, including its investment in CyrusOne, restructuring or refinancing indebtedness, or seeking additional equity capital, which may adversely affect its shareholders, debt holders and customers. The Company may not be able to negotiate remedies on commercially reasonable terms, or at all. In addition, the terms of existing or future debt instruments may restrict the Company from adopting any of these alternatives. The Company's inability to generate the necessary cash flows could result in its dissolution, bankruptcy, liquidation or reorganization.

The Company depends on the receipt of dividends or other intercompany transfers from its subsidiaries and investments.

Virtually all of the Company's operations are conducted through its subsidiaries and most of the Company's debt is held at the parent company. Certain of the Company's material subsidiaries are subject to regulatory authority which may potentially limit the ability of such subsidiaries to distribute funds or assets. If any of the Company's subsidiaries were to be prohibited from paying dividends or making distributions, the Company may not be able to make the scheduled interest and principal repayments on its debt. This failure would have a material adverse effect on the Company's liquidity and the trading price of the Company's common stock, preferred stock, and debt instruments, which could result in its dissolution, bankruptcy, liquidation or reorganization.

Other Risk Factors

The Company has a significant investment in CyrusOne.

As of December 31, 2015, we own 9.5% of CyrusOne, which is held in the form of 6.9 million CyrusOne common shares. The value of our investment is subject to CyrusOne executing on their strategic plan and other factors beyond CyrusOne's control, such as volatility in equity markets and fluctuations in the valuation of companies perceived by investors to be comparable to CyrusOne, all of which could cause significant changes in the market price of

CyrusOne's common stock. The fair value of our investment in CyrusOne may decline which may adversely affect the realization of our investment. As a result, we may be unable to monetize any or all of our investment in CyrusOne, which would therefore not allow us to repay debt and achieve a leverage ratio comparable to our peers, thereby limiting our opportunity to significantly increase cash flow. Our inability to liquidate our investment in CyrusOne could ultimately limit the cash to fund operations and our general obligations and could result in the Company's dissolution, bankruptcy, liquidation or reorganization.

The trading price of the Company's common stock may be volatile, and the value of an investment in the Company's common stock may decline.

The market price of the Company's common stock has been volatile and could be subject to wide fluctuations in response to, among other things, the risk factors described in this report and other factors beyond the Company's control, such as volatility in equity markets and fluctuations in the valuation of companies perceived by investors to be comparable to the Company.

Equity markets have experienced price and volume fluctuations that have affected the Company's stock price and the market prices of equity securities of many other companies. These broad market and industry fluctuations, as well as general economic, political, and market conditions, may negatively affect the market price of the Company's stock. Companies that have experienced volatility in the market price of common shares have periodically been subject to securities class action litigation. The Company may be the target of this type of litigation in the future. Securities litigation could result in substantial costs and/or damages and divert management's attention from other business concerns.

The uncertain economic environment, including uncertainty in the U.S. and world securities markets, could impact the Company's business and financial condition.

The uncertain economic environment could have an adverse effect on the Company's business and financial liquidity. The Company's primary source of cash is customer collections. If economic conditions were to worsen, some customers may cancel services or have difficulty paying. These conditions would result in lower revenues and increases in the allowance for doubtful accounts, which would negatively affect the results of operations. Furthermore, the sales cycle would be further lengthened if business customers slow spending or delay decision-making on the Company's products and services, which would adversely affect revenues. If competitors lower prices as a result of economic conditions, the Company would also experience pricing pressure. If the economies of the U.S. and the world deteriorate, this could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

The Company’s future cash flows would be adversely affected if it is unable to fully realize its deferred tax assets.

As of December 31, 2015, the Company had net deferred income taxes of $182.9 million, which are primarily composed of deferred tax assets associated with U.S. federal net operating loss carryforwards of $90.5 million and state, local and foreign net operating loss carryforwards of $51.5 million. The Company has recorded valuation allowances against deferred tax assets related to certain state, local and foreign net operating losses and other deferred tax assets due to the uncertainty of the Company’s ability to utilize the assets within the statutory expiration period. The use of the Company’s deferred tax assets enables it to satisfy current and future tax liabilities without the use of the Company’s cash resources. If the Company is unable for any reason to generate sufficient taxable income to fully realize its deferred tax assets, or if the use of its net operating loss carryforwards is limited by Internal Revenue Code Section 382 or similar state statute, the Company’s net income, shareowners’ deficit and future cash flows would be adversely affected.

Adverse changes in the value of assets or obligations associated with the Company’s employee benefit plans could negatively impact shareowners’ deficit and liquidity.

The Company sponsors three noncontributory defined benefit pension plans: one for eligible management employees, one for non-management employees, and one supplemental, nonqualified, unfunded plan for certain former executives. The Company also provides healthcare and group life insurance benefits for eligible retirees. The Company’s Consolidated Balance Sheets indirectly reflect the value of all plan assets and benefit obligations under these plans. The accounting for employee benefit plans is complex, as is the process of calculating the benefit obligations under the plans. Adverse changes in interest rates or market conditions, among other assumptions and factors, could cause a significant increase in the Company’s benefit obligations or a significant decrease of the asset values, without necessarily impacting the Company’s net income. In addition, the Company’s benefit obligations could increase significantly if it needs to unfavorably revise the assumptions used to calculate the obligations. These adverse changes could have a further significant negative impact on the Company’s shareowners’ deficit. In addition, with respect to the Company’s pension plans, the Company expects to make approximately $22 million of estimated

aggregate cash contributions to its qualified pension plans for the years 2016 to 2019. Additionally, the Company's postretirement costs are adversely affected by increases in medical and prescription drug costs. Further, if there are adverse changes to plan assets, or if medical and prescription drug costs increase significantly, the Company could be required to contribute additional material amounts of cash to the plans or could accelerate the timing of required payments.

Third parties may claim that the Company is infringing upon their intellectual property, and the Company could suffer significant litigation or licensing expenses or be prevented from selling products.

The Company may be unaware of intellectual property rights of others that may cover some of its technology, products or services. Any litigation growing out of third-party patents or other intellectual property claims could be costly and time-consuming and would divert the Company's management and key personnel from its business operations. The complexity of the technology involved and the uncertainty of intellectual property litigation increase these risks. Resolution of claims of intellectual property infringement might also require the Company to enter into costly license agreements. Likewise, the Company may not be able to obtain license agreements on acceptable terms. The Company also may be subject to significant damages or injunctions against development and sale of certain of its products or services. Further, the Company often relies on licenses of third-party intellectual property for its businesses. The Company cannot ensure these licenses will be available in the future on favorable terms or at all.

Third parties may infringe upon the Company's intellectual property, and the Company may expend significant resources enforcing its rights or suffer competitive injury.

The Company's success depends in significant part on the competitive advantage it gains from its proprietary technology and other valuable intellectual property assets. The Company relies on a combination of patents, copyrights, trademarks and trade secrets protections, confidentiality provisions and licensing arrangements to establish and protect its intellectual property rights. If the Company fails to successfully enforce its intellectual property rights, its competitive position could suffer, which could harm its operating results.

The Company may also be required to spend significant resources to monitor and police its intellectual property rights. The Company may not be able to detect third-party infringements and its competitive position may be harmed before the Company does so. In addition, competitors may design around the Company's technology or develop competing technologies. Furthermore, some intellectual property rights are licensed to other companies, allowing them to compete with the Company using that intellectual property.

We could be subject to a significant amount of litigation, which could require us to pay significant damages or settlements.

Our business faces a substantial amount of litigation, including, from time to time, patent infringement lawsuits, antitrust class actions, securities class actions, wage and hour class actions, personal injury claims and lawsuits relating to our advertising, sales, billing and collection processes. We may incur significant expenses in defending these lawsuits. In addition, we may be required to pay significant awards and settlements.

The Company could incur significant costs resulting from complying with, or potential violations of, environmental, health and human safety laws.

The Company's operations are subject to laws and regulations relating to the protection of the environment, health, and human safety, including those governing the management and disposal of, and exposure to, hazardous materials and the cleanup of contamination, and the emission of radio frequencies. While the Company believes its operations are in substantial compliance with environmental, health, and human safety laws and regulations, as an owner or operator of property, and in connection with the current and historical use of hazardous materials and other operations at its sites, the Company could incur significant costs resulting from complying with or violations of such laws, the imposition of cleanup obligations and third-party suits. For instance, a number of the Company's sites formerly contained underground storage tanks for the storage of used oil and fuel for back-up generators and vehicles.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2015, we owned or maintained properties in Ohio, Kentucky and Indiana. Principal office locations are in Cincinnati, Ohio.

Our properties include copper and fiber plants and associated equipment in our local operating market. Each of the Company’s subsidiaries maintains some investment in furniture and office equipment, computer equipment and associated operating system software, application system software, leasehold improvements and other assets.

With regard to its local Entertainment and Communications operations, the Company owns substantially all of the central office switching stations and the land upon which they are situated. Some business and administrative offices are located in leased facilities, all of which are recorded as operating leases. The Company’s out-of-territory network assets include a fiber network plant, internet protocol and circuit switches and integrated access terminal equipment. In addition, as of year-end, we lease eight Company-run retail locations. Those locations were historically used by the discontinued wireless operations but were converted to sell our Fioptics suite of products.

For additional information about the Company’s properties, see Note 6 to the consolidated financial statements.

Item 3. Legal Proceedings

We are subject to various lawsuits, actions, proceedings, claims and other matters asserted under laws and regulations in the normal course of business. We believe that the liabilities accrued for legal contingencies in our consolidated financial statements, as prescribed by generally accepted accounting principles ("GAAP"), are adequate in light of the probable and estimable contingencies. However, there can be no assurances that the actual amounts required to satisfy alleged liabilities from various legal proceedings, claims, tax examinations, and other matters, and to comply with applicable laws and regulations, will not exceed the amounts reflected in our consolidated financial statements. As such, costs, if any, that may be incurred in excess of those amounts provided as of December 31, 2015, cannot be reasonably determined.

Based on information currently available, consultation with counsel, available insurance coverage and established reserves, management believes the eventual outcome of all outstanding claims will not, individually or in the aggregate, have a material effect on the Company's financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) Market Information

The Company's common shares (symbol: CBB) are listed on the New York Stock Exchange. The high and low closing sale prices during each quarter for the last two fiscal years are listed below:

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2015	High	$3.68	$4.09	$3.97	$3.97
	Low	$2.93	$3.34	$3.08	$3.14
2014	High	$3.75	$3.95	$4.10	$3.71
	Low	$3.25	$3.19	$3.35	$2.97

(b) Holders

As of January 31, 2016, the Company had 8,908 holders of record of the 210,018,611 common shares outstanding and 155,250 shares outstanding of the 6 $^{3}/_{4}$% Cumulative Convertible Preferred Stock.

(c) Dividends

In 2015 and 2014, the Company paid $10.4 million of dividends on its 6 $^{3}/_{4}$% Cumulative Convertible Preferred Stock. In 2015 and 2014, the Company did not pay any dividends on its common stock and does not intend to pay any common stock dividends in 2016.

(d) Securities Authorized For Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2015 regarding securities of the Company to be issued and remaining available for issuance under the equity compensation plans of the Company:

Plan Category	Number of securities to be issued upon exercise of outstanding stock options, awards, warrants and rights		Weighted-average exercise price of outstanding stock options, awards, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)		(b)	(c)
Equity compensation plans approved by security holders	7,720,718	(1)	$ 3.62	5,647,918
Equity compensation plans not approved by security holders	166,721	(2)	—	136,196
Total	7,887,439		$ 3.62	5,784,114

(1) Includes 3,879,678 outstanding stock options and stock appreciation rights not yet exercised, 234,308 shares of time-based restricted stock, and 3,606,732 shares of performance-based awards, restrictions on which have not expired as of December 31, 2015. Awards were granted under various incentive plans approved by Cincinnati Bell Inc. shareholders. The number of performance-based awards assumes the maximum awards that can be earned if the performance conditions are achieved.

(2) The shares to be issued relate to deferred compensation in the form of previously received special awards and annual awards to non-employee directors pursuant to the "Deferred Compensation Plan for Outside Directors." From 1997 through 2011, the directors received an annual award of phantom stock equivalent to a number of common shares. In 2015 and 2014, no such awards were granted. As a result of a plan amendment effective as of January 1, 2005, upon termination of Board service, non-employee directors are required to take distribution of all annual phantom stock awards in cash. Therefore, the number of actual shares of common stock to be issued pursuant to the plan as of December 31, 2015 is approximately 11,500. This plan also provides that no awards are payable until

such non-

employee director completes at least five years of active service as a non-employee director, except if he or she dies while serving as a member of the Board of Directors.

(e) Stock Performance

The graph below matches Cincinnati Bell Inc.'s cumulative five-Year total shareholder return on common stock with the cumulative total returns of the S&P 500 index and the S&P Integrated Telecommunication Services index. The graph tracks the performance of a $100 investment in our common stock and in each index (with the reinvestment of all dividends) from December 31, 2010 to December 31, 2015.

	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15
Cincinnati Bell Inc.	$100	$108	$196	$127	$114	$129
S&P 500	$100	$102	$118	$157	$178	$181
S&P Integrated Telecommunication Services	$100	$108	$124	$138	$141	$145

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(f) Issuer Purchases of Equity Securities

The following table provides information regarding the Company’s purchases of its common stock during the quarter ended December 31, 2015:

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs *	Approximate Dollar Value of Shares that May Yet Be Purchased Under Publicly Announced Plans or Programs (in millions)*
October 1, 2015 - December 31, 2015	—	$—	—	$129.2

* In February 2010, the Board of Directors approved an additional plan for the repurchase of the Company’s outstanding common stock in an amount up to $150.0 million. The Company may repurchase shares when management believes the share price offers an attractive value and to the extent its available cash is not needed for growth opportunities. This repurchase plan does not have a stated maturity.

Item 6. Selected Financial Data

As further discussed in Note 3 to our consolidated financial statements, we ceased operations of our wireless business as of March 2015. As a result, wireless financial results are now presented as discontinued operations. Therefore, we have recast the information below, except as noted, for all periods presented.

The selected financial data should be read in conjunction with the consolidated financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this document.

(dollars in millions, except per share amounts)	2015	2014	2013 (a)	2012 (a)	2011 (a)
Operating Data					
Revenue	$1,167.8	$1,161.5	$1,073.4	$1,251.5	$1,204.4
Cost of services and products, selling, general and administrative, depreciation, and amortization expense	1,031.3	979.5	877.6	1,018.0	944.1
Other operating costs and losses (b)	8.5	5.1	56.0	20.3	11.6
Operating income	128.0	176.9	139.8	213.2	248.7
Interest expense	103.1	145.9	176.0	211.2	205.4
Loss on extinguishment of debt	20.9	19.6	29.6	13.6	—
Loss from CyrusOne investment (c)	5.1	7.0	10.7	—	—
Gain on sale of CyrusOne investment (d)	(449.2)	(192.8)	—	—	—
Income (loss) from continuing operations	290.8	117.7	(64.9)	(18.8)	17.9
Income (loss) from discontinued operations, net of tax	62.9	(42.1)	10.2	30.0	0.7
Net income (loss)	$353.7	$75.6	$(54.7)	$11.2	$18.6
Basic earnings (loss) per common share from continuing operations	$1.34	$0.51	$(0.37)	$(0.15)	$0.04
Basic earnings (loss) per common share from discontinued operations	$0.30	$(0.20)	$0.05	$0.15	$—
Basic earnings (loss) per common share	$1.64	$0.31	$(0.32)	$—	$0.04
Diluted earnings (loss) per common share from continuing operations	$1.33	$0.51	$(0.37)	$(0.15)	$0.04
Diluted earnings (loss) per common share from discontinued operations	$0.30	$(0.20)	$0.05	$0.15	$—
Diluted earnings (loss) per common share	$1.63	$0.31	$(0.32)	$—	$0.04
Dividends declared per common share	$—	$—	$—	$—	$—
Weighted-average common shares outstanding					
Basic	209.6	208.5	205.9	197.0	196.8
Diluted	210.2	209.6	205.9	197.0	200.0
Financial Position					
Property, plant and equipment, net	$975.5	$815.4	$756.8	$1,415.4	$1,211.2
Total assets (e)	1,454.4	1,820.7	2,108.4	2,873.8	2,716.1
Total long-term obligations (f)	1,493.4	2,058.4	2,529.7	3,215.2	3,073.5
Other Data					
Cash flow provided by operating activities	$110.9	$175.2	$78.8	$212.7	$289.9

Cash flow provided by (used in) investing activities (g)	383.2	392.6	(185.4)	(371.8)	(244.7)
Cash flow (used in) provided by financing activities (h)	(544.6)	(514.5)	87.6	109.0	(48.8)
Capital expenditures (i)	(283.6)	(182.3)	(196.9)	(367.2)	(255.5)

(a) Results for 2012 and 2011 include the revenues and expenses of CyrusOne Inc. ("CyrusOne"), our former data center business. During 2013, CyrusOne results are included for the period January 1, 2013 through January 23, 2013. Effective January 24, 2013, the date of the CyrusOne IPO, we no longer include CyrusOne's operating results in our consolidated financial statements. See Notes 1 and 4 to the consolidated financial statements.

(b) Other operating costs and losses consist of restructuring charges (reversals), transaction-related compensation, curtailment loss (gain), loss(gain) on disposal of assets - net, impairment of assets and transaction costs.

(c) Losses represent our equity method share of CyrusOne's losses. Effective December 31, 2015, our ownership in CyrusOne is now accounted for using the cost method.

(d) In 2015, we recorded a gain resulting from the sale of 20.3 million partnership units of CyrusOne LP to CyrusOne, Inc. and the sale of 1.4 million shares of CyrusOne's common stock. In 2014, we recorded a gain resulting from the sale of 16.0 million partnership units of CyrusOne LP to CyrusOne, Inc.

(e) Total assets include current and noncurrent assets from discontinued operations.

(f) Total long-term obligations comprise long-term debt less current portion, pension and postretirement benefit obligations, other noncurrent liabilities and noncurrent liabilities from discontinued operations. See Notes 3, 8, 9, and 12 to the consolidated financial statements for discussions related to 2015 and 2014.

(g) In 2015, cash from investing activities included $643.9 million of proceeds from the sale of 20.3 million partnership units of CyrusOne LP to CyrusOne Inc. and the sale of 1.4 million shares of CyrusOne's common stock. In 2014, cash from investing activities included $355.9 million of proceeds from the sale of 16.0 million partnership units of CyrusOne LP to CyrusOne Inc. and $194.4 million of proceeds from the sale of wireless spectrum licenses.

(h) Cash used in financing activities for 2015 includes the repayment of $300.0 million 8 3/4% Senior Subordinated Notes due 2018, $182.7 million of 8 3/8% Senior Notes due 2020, $13.7 million of 7 1/4% Notes due 2023 and $5.8 million of CBT Notes. Cash used in financing activities for 2014 includes the repayment of $325.0 million 8 3/4% Senior Subordinated Notes due 2018 and repayment of $22.7 million 8 3/8% Senior Notes due 2020.

(i) Capital expenditures include capital expenditures from discontinued operations.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This Annual Report on Form 10-K and the documents incorporated by reference herein contain forward-looking statements regarding future events and results that are subject to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, are statements that could be deemed forward-looking statements. See "Private Securities Litigation Reform Act of 1995 Safe Harbor Cautionary Statement," for further information on forward-looking statements.

Executive Summary

Segment results described in the Executive Summary and Consolidated Results of Operations section are net of intercompany eliminations.

Consolidated revenue totaling $1,167.8 million for the year ended December 31, 2015 increased compared to the prior year as strategic revenue growth more than offset the impact of no longer providing backhaul service to our discontinued wireless operations and declines from legacy and integration products. Revenue from our strategic products totaled $536.6 million in 2015, up 21% compared to 2014. Operating income in 2015 was $128.0 million, down from the prior year due in large part to increased costs associated with accelerating the construction of our fiber network and costs absorbed as a result of winding down wireless operations.

Income from continuing operations totaled $290.8 million for the year ended December 31, 2015, primarily due to the $449.2 million gain on the sale of a portion of our CyrusOne investment. Income from discontinued operations, net of tax, for the year ended December 31, 2015 was $62.9 million. As of March 31, 2015, there were no subscribers remaining on the wireless network, and we no longer required the use of the wireless spectrum being leased. Therefore, the $112.6 million gain on the sale of the wireless spectrum licenses, which had been previously deferred, was recognized in our financial results during the first quarter of 2015. In addition, on April 1, 2015, we transferred certain other assets related to our wireless business to the purchaser, including leases to certain wireless towers and related equipment and other assets, which resulted in a gain of $15.9 million in the second quarter of 2015.

The Company sold a combined 21.7 million CyrusOne partnership units and common shares for cash totaling $643.9 million during 2015. The cash generated from these transactions was primarily used to manage our debt. In total, during 2015, we repaid $531.7 million of debt, reducing interest payments by approximately $42 million annually. As a result, our consolidated debt leverage as defined by our Corporate Credit Agreement was 4.3x as of December 31, 2015. If our leverage was further adjusted for our remaining 9.5% ownership in CyrusOne, which was valued at $257.9 million, as of December 31, 2015, our leverage would be 3.4x.

See “Management's Discussion and Analysis of Financial Condition and Results of Operations” in the Company's Annual Report on Form 10-K for further details on the Company's 2015 financial results.

Consolidated Results of Operations
Revenue

(dollars in millions)	2015	2014	$ Change 2015 vs. 2014	% Change 2015 vs. 2014	2013	$ Change 2014 vs. 2013	% Change 2014 vs. 2013
Service revenue							
Entertainment and Communications	$735.0	$728.8	$6.2	1 %	$718.0	$10.8	2 %
IT Services and Hardware	198.0	161.4	36.6	23 %	138.7	22.7	16 %
Data Center Colocation	—	—	—	n/m	15.2	(15.2)	n/m
Total service revenue	$933.0	$890.2	$42.8	5 %	$871.9	$18.3	2 %

Entertainment and Communications revenue increased as the growth in Fioptics and other strategic services offset the combined impact from no longer providing backhaul services to our former wireless segment and legacy and integration declines. IT Service and Hardware increased primarily due to growth from all of our strategic services.

(dollars in millions)	2015	2014	$ Change 2015 vs. 2014	% Change 2015 vs. 2014	2013	$ Change 2014 vs. 2013	% Change 2014 vs. 2013
Product revenue							
Entertainment and Communications	$7.4	$10.7	$(3.3)	(31)%	$5.7	$5.0	88 %
IT Services and Hardware	227.4	260.6	(33.2)	(13)%	195.8	64.8	33 %
Total product revenue	$234.8	$271.3	$(36.5)	(13)%	$201.5	$69.8	35 %

Product revenue is primarily driven by the volume of Telecom and IT hardware sales reflecting the cyclical fluctuation in capital spending by our enterprise customers in our IT Services and Hardware segment. In 2014, we entered into agreements to sell Verizon wireless handsets and accessories at our retail locations generating revenue of $3.1 million and $5.7 million in 2015 and 2014, respectively.

Operating costs

(dollars in millions)	2015	2014	$ Change 2015 vs. 2014	% Change 2015 vs. 2014	2013	$ Change 2014 vs. 2013	% Change 2014 vs. 2013
Cost of services							
Entertainment and Communications	$319.9	$290.2	$29.7	10 %	$273.2	$17.0	6 %
IT Services and Hardware	152.6	126.0	26.6	21 %	108.4	17.6	16 %
Data Center Colocation	—	—	—	n/m	4.6	(4.6)	n/m
Total cost of services	$472.5	$416.2	$56.3	14 %	$386.2	$30.0	8 %

Cost of services increased in both periods due to growth in our strategic products. Entertainment and Communications costs also increased due to programming costs associated with our growing Fioptics video subscriber base and higher programming rates.

(dollars in millions)	2015	2014	$ Change 2015 vs. 2014	% Change 2015 vs. 2014	2013	$ Change 2014 vs. 2013	% Change 2014 vs. 2013
Cost of products							
Entertainment and Communications	$6.3	$8.3	$(2.0)	(24)%	$4.5	$3.8	84%
IT Services and Hardware	191.8	223.2	(31.4)	(14)%	170.6	52.6	31%
Total cost of products	$198.1	$231.5	$(33.4)	(14)%	$175.1	$56.4	32%

Cost of products are primarily impacted by changes in Telecom and IT hardware sales. Entertainment and Communications cost of products was impacted by costs associated with the agreement to sell Verizon Wireless products and services at our retail locations.

(dollars in millions)	2015	2014	$ Change 2015 vs. 2014	% Change 2015 vs. 2014	2013	$ Change 2014 vs. 2013	% Change 2014 vs. 2013
Selling, general, and administrative							
Entertainment and Communications	$146.2	$133.0	$13.2	10%	$131.7	$1.3	1%
IT Services and Hardware	53.5	51.0	2.5	5%	44.1	6.9	16%
Data Center Colocation	—	—	—	0%	2.4	(2.4)	n/m
Corporate	19.4	20.2	(0.8)	(4)%	9.7	10.5	n/m
Total selling, general and administrative	$219.1	$204.2	$14.9	7%	$187.9	$16.3	9%

Entertainment and Communications SG&A costs were up in 2015 primarily due to store costs, an increase in our sales force to support our fiber acceleration strategy and a one-time pension charge related to our excess benefit plan totaling $3.8 million. In 2014, Entertainment and Communications costs were primarily up due to costs incurred associated with outsourcing certain IT functions. Increased IT Services and Hardware SG&A costs were primarily related to higher payroll and headcount related costs to support the growth for our strategic products. Corporate SG&A stock-based compensation expense increased in both periods due to changes in our stock price. In 2015, this increase was partially offset by lower contract services. In 2014, employee related costs were higher than the prior year.

(dollars in millions)	2015	2014	$ Change 2015 vs. 2014	% Change 2015 vs. 2014	2013	$ Change 2014 vs. 2013	% Change 2014 vs. 2013
Depreciation and amortization expense							
Entertainment and Communications	$129.2	$115.7	$13.5	12%	$112.2	$3.5	3%
IT Services and Hardware	12.3	11.7	0.6	5%	10.5	1.2	11%
Data Center Colocation	—	—	—	0%	5.2	(5.2)	n/m
Corporate	0.1	0.2	(0.1)	(50)%	0.5	(0.3)	(60)%
Total depreciation and amortization expense	$141.6	$127.6	$14.0	11%	$128.4	$(0.8)	(1)%

The increase in depreciation and amortization expense is primarily due to an increase in Entertainment and Communications depreciation as a result of expanding our fiber-based network.

Other operating costs

(dollars in millions)	2015	2014	$ Change 2015 vs. 2014	% Change 2015 vs. 2014	2013	$ Change 2014 vs. 2013	% Change 2014 vs. 2013
Other operating costs							
Restructuring charges (reversals)	$6.0	$(0.4)	$6.4	n/m	$13.5	$(13.9)	n/m
Transaction-related compensation	—	—	—	n/m	42.6	(42.6)	n/m
Curtailment loss (gain)	0.3	—	0.3	n/m	(0.6)	0.6	n/m
Loss (gain) on sale of disposal of assets, net	0.8	(0.3)	1.1	n/m	(1.1)	0.8	(73)%
Impairment of assets	—	4.6	(4.6)	n/m	—	4.6	n/m
Transaction costs	1.4	1.2	0.2	17%	1.6	(0.4)	(25)%

In 2015, restructuring charges represented severance associated with employee separations, consulting fees related to a workforce optimization initiative and lease abandonments. Charges incurred in 2015 include $3.3 million of severance costs for employee separations related to the discontinuation of our cyber-security product offering and the integration of our business market teams. Third party consultant costs associated with integrating each segment's business markets team totaled $2.4 million, and $0.3 million was incurred related to a lease abandonment. Restructuring charges incurred in 2013 represented severance costs, expenses related to lease abandonments and fees associated with a workforce optimization project.

Transaction-related compensation was $42.6 million in 2013, of which $20.0 million was related to CyrusOne employees. In 2010, the Company's Board of Directors approved a long-term incentive program for certain members of management under which payments were 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 plan. The completion of the IPO during 2013 resulted in a qualifying transaction requiring payment of compensation to the employees covered under this plan.

Impairment charges totaling $4.6 million in 2014 were recorded for the abandonment of an internal use software project related to the Entertainment and Communications segment.

Transaction costs incurred in 2015 primarily represent fees for exploring opportunities to increase the scale of our IT Services and Hardware Segment. Transaction costs incurred in 2014 represent legal fees associated with the sale of our wireless assets and fees associated with new equity method investments. In 2013, costs represent expenses associated with exploring strategic alternatives for our former wireless business and consulting costs associated with the CyrusOne IPO.

Non-operating expenses (income)

(dollars in millions)	2015	2014	$ Change 2015 vs. 2014	% Change 2015 vs. 2014	2013	$ Change 2014 vs. 2013	% Change 2014 vs. 2013
Non-operating costs							
Interest expense	$103.1	$145.9	$(42.8)	(29)%	$176.0	$(30.1)	(17)%
Loss on extinguishment of debt	20.9	19.6	1.3	7%	29.6	(10.0)	(34)%
Loss from CyrusOne investment	5.1	7.0	(1.9)	(27)%	10.7	(3.7)	(35)%
Gain on Sale of CyrusOne investment	(449.2)	(192.8)	(256.4)	n/m	—	(192.8)	n/m
Other income, net	(2.5)	(1.9)	(0.6)	32%	(3.3)	1.4	(42)%
Income tax expense (benefit)	159.8	81.4	78.4	96%	(8.3)	89.7	n/m
Income (loss) from discontinued operations, net of tax	62.9	(42.1)	105.0	n/m	10.2	(52.3)	n/m

Interest expense decreased due to the Company primarily using proceeds from the sale of a portion of its CyrusOne investment to repay debt. During 2015, 2014, and 2013, we repaid debt totaling $531.7 million, $376.5 million and $530.8 million, respectively. Certain debt repayments in each period resulted in a loss on extinguishment of debt.

In 2015, the Company recognized a gain of $412.9 million on the sale of 20.3 million CyrusOne LP partnership units and a gain of $36.3 million on the sale of 1.4 million CyrusOne common stock units. In the second quarter of 2014, the Company recognized a $192.8 million gain on the sale of 16.0 million CyrusOne LP partnership units.

Income tax expense related to continuing operations was higher in 2015 and 2014 compared to the prior year due primarily to higher income before tax as a result of the increased gain on the sale of our CyrusOne LP units and common shares. In 2013, the tax benefit was a result of loss before income taxes offset by a valuation allowance provision of $10.7 million for Texas margin credits, which effective with CyrusOne's IPO, are uncertain of being realized before their expiration date.

The Company has certain non-deductible expenses, including interest on securities originally issued to acquire its broadband business (the "Broadband Securities") or securities that the Company has subsequently issued to refinance the Broadband Securities. In periods without tax law changes, the Company expects its effective tax rate to exceed statutory rates primarily due to the non-deductible expenses associated with the Broadband Securities. The Company uses federal and state net operating losses to defray payment of federal and state tax liabilities. As a result, the Company had cash income tax payments, net of refunds, totaling $8.8 million in 2015. The Broadband Securities were repaid in full during 2015.

Effective March 31, 2015, we discontinued operating our wireless business as there were no subscribers remaining on the network. As a result, we no longer required the use of the spectrum being leased. Therefore, the $112.6 million gain on sale of wireless spectrum licenses, which had previously been deferred, was recognized during the three months ended March 31, 2015. On April 1, 2015, we transferred certain other wireless assets to the purchaser, including leases to certain wireless towers and related equipment and other assets, which resulted in a gain of $15.9 million in the second quarter of 2015. These gains were partially offset by operating losses as we continued to incur costs during the wind down of the wireless business.

Discussion of Operating Segment Results

The Company manages its business based upon product and service offerings. As of December 31, 2015, 2014, and 2013, we operated two business segments: Entertainment and Communications and IT Services and Hardware. 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. The closing of our wireless operations, effective March 31, 2015, represented a strategic shift in our business. Therefore, certain wireless assets, liabilities and results of operations are reported as discontinued operations in our financial statements. For further details of our investment in CyrusOne, see Note 1 and Note 4 of Notes to Consolidated Financial Statements. For further details of Discontinued Operations, see Note 1 and Note 3 of Notes to Consolidated Financial Statements.

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

Entertainment and Communications

The Entertainment and Communications segment provides products and services such as data transport, high-speed internet, video, local voice, long distance, VoIP and other services. Cincinnati Bell Telephone Company LLC ("CBT"), a subsidiary of the Company, is the incumbent local exchange carrier ("ILEC") for a geography that covers a radius of approximately 25 miles around Cincinnati, Ohio, and includes parts of northern Kentucky and southeastern Indiana. CBT has operated this territory for over 140 years. Voice and data services beyond its ILEC territory, particularly in Dayton and Mason, Ohio, are provided through the operations of Cincinnati Bell Extended Territories LLC ("CBET"), a competitive local exchange carrier ("CLEC") and subsidiary of CBT. The Company provides long distance and VoIP services primarily through its Cincinnati Bell Any Distance Inc. ("CBAD") and eVolve Business Solutions LLC ("eVolve") subsidiaries.

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(dollars in millions)	2015	2014	$ Change 2015 vs. 2014	% Change 2015 vs. 2014	2013	$ Change 2014 vs. 2013	% Change 2014 vs. 2013
Revenue	$743.7	$740.7	$3.0	0 %	$724.8	$15.9	2 %
Operating costs and expenses:							
Cost of services and products	331.5	306.2	25.3	8 %	286.3	19.9	7 %
Selling, general and administrative	150.9	136.2	14.7	11 %	132.7	3.5	3 %
Depreciation and amortization	129.2	115.7	13.5	12 %	112.2	3.5	3 %
Restructuring charges (reversals)	1.6	(0.5)	2.1	n/m	9.1	(9.6)	n/m
Curtailment loss (gain)	0.3	—	0.3	n/m	(0.6)	0.6	n/m
Loss (gain) on sale or disposal of assets	0.3	(0.4)	0.7	n/m	(1.1)	0.7	64 %
Impairments of assets	—	4.6	(4.6)	n/m	—	4.6	n/m
Total operating costs and expenses	613.8	561.8	52.0	9 %	538.6	23.2	4 %
Operating income	$129.9	$178.9	$(49.0)	(27)%	$186.2	$(7.3)	(4)%
Operating margin	17.5 %	24.2 %		(6.7)	25.7 %		(1.5)
Capital expenditures	$269.5	$163.7	$105.8	65 %	$162.6	$1.1	1 %

Metrics (in thousands):