

CINCINNATI BELL INC
Form 11-K
June 17, 2010
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

(Mark One)

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

For the fiscal year ended December 30, 2009

OR

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

For the transition period from _____ to _____

Commission File Number 1-8519

CINCINNATI BELL INC. SAVINGS AND SECURITY PLAN

CINCINNATI BELL INC.

221 East Fourth Street

Cincinnati, Ohio 45202

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and Administrator of the

Cincinnati Bell Inc. Savings and Security Plan:

We have audited the accompanying statements of net assets available for benefits of Cincinnati Bell Inc. Savings and Security Plan (the Plan) as of December 30, 2009 and 2008, and the related statement of changes in net assets available for benefits for the year ended December 30, 2009. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 30, 2009 and 2008, and the related statement of changes in net assets available for benefits for the year ended December 30, 2009 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 30, 2009, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan's management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2009 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio

June 16, 2010

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CINCINNATI BELL INC. SAVINGS AND SECURITY PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
(DOLLARS IN THOUSANDS)

	December 30,	
	2009	2008
Investments		
Investment in Master Trust	\$ 56,607	\$ 51,724
Participant loans	2,803	3,163
Net assets available for benefits at fair value	59,410	54,887
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	112	516
Net assets available for benefits	\$ 59,522	\$ 55,403

See Notes to Financial Statements.

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CINCINNATI BELL INC. SAVINGS AND SECURITY PLAN
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 FOR THE YEAR ENDED DECEMBER 30, 2009
 (DOLLARS IN THOUSANDS)

Net assets available for benefits as of December 30, 2008	\$ 55,403
Contributions:	
Employee	3,363
Employer	1,387
Total contributions	4,750
Investment income:	
Investment income from Master Trust	13,965
Interest on participant loans	203
Total investment income	14,168
Transfers to other Company-sponsored plans, net	603
Distributions:	
Benefits paid to participants	14,178
Administrative expense paid by the Plan	18
Total distributions	14,196
Net increase in assets available for Plan benefits	4,119
Net assets available for benefits as of December 30, 2009	\$ 59,522

See Notes to Financial Statements.

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CINCINNATI BELL INC. SAVINGS AND SECURITY PLAN

NOTES TO FINANCIAL STATEMENTS

(1) Plan Description and Accounting Policies

a. **General:** The Cincinnati Bell Inc. Savings and Security Plan (the Plan) is sponsored by Cincinnati Bell Inc. (together with its subsidiaries, the Company or Cincinnati Bell) and administered generally through the Company Employees Benefit Committee.

The Plan is, subject to certain exceptions, currently available to hourly employees of the Company. Hourly employees are generally defined as employees either (i) who are represented by a collective bargaining unit (unless the applicable collective bargaining agreement does not approve their participation in the Plan) or (ii) whose position is an hourly-paid position that is or at any prior time had been subject to automatic wage progression or covered under the Plan. An hourly employee hired on or after February 1, 2008 and in a position described in clause (ii) above, is generally not eligible for the Plan.

In addition, certain persons who might be considered part of the above classes of employees (including but not limited to co-op students, interns, temporary employees, and contingency employees) are ineligible to participate in the Plan.

These Notes to Financial Statements provide a brief description of certain provisions of the Plan, but do not constitute a document under which the Plan is operated, and, in the event of any conflict between these Notes to Financial Statements and the Plan documents, the Plan documents shall control. Participants must refer to the Plan documents and to the summary plan description for further details of the Plan.

The Plan is subject to the provisions of the Internal Revenue Code of 1986, as amended (the Code), and the Employee Retirement Income Security Act of 1974, as amended (ERISA).

The financial statements of the Plan are prepared under the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. The Plan s fiscal year (the plan year) begins each December 31 and ends the following December 30. The Company has evaluated subsequent events through June 16, 2010. The Plan s trustee is Fidelity Management Trust Company (together with its affiliates, Fidelity).

In accordance with FASB Accounting Standards Codification (ASC) 962, the Statement of Net Assets Available for Benefits presents the fair value of the Plan s investments as well as the adjustment from fair value to contract value for the fully benefit-responsive investment contracts. The Statement of Changes in Net Assets Available for Benefits is presented on a contract value basis for the fully benefit-responsive investment contracts.

b. **Employee Contributions:** The Plan generally permits eligible employees to contribute for each pay period, in before-tax and/or after-tax dollars, any amount that is an increment of \$5 and not more than 75% of the participant s plan compensation. The Plan generally permits employees hired before February 1, 2008 to contribute to the Plan after completing at least one year of service and permits employees hired on or after February 1, 2008 (Tier 2 Participants) to contribute to the Plan immediately upon being hired.

The Plan provides for newly eligible Tier 2 Participants to be automatically enrolled into the Plan and contribute a certain amount (determined under a Plan schedule) of their plan compensation, which is invested in the Plan s default investment option, an age specific Vanguard Target Retirement Fund. Plan participants may elect to change their contribution and investment elections or discontinue participation in the Plan at any time.

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CINCINNATI BELL INC. SAVINGS AND SECURITY PLAN

NOTES TO FINANCIAL STATEMENTS

The amount of a participant's before-tax contributions for any calendar year generally cannot exceed \$16,500, the legal limit in 2009. If the participant is age 50 or older by the end of the calendar year, the participant is allowed to make additional before-tax contributions up to \$5,500, the legal limit in 2009. The amount of a participant's contributions is subject to additional provisions under the Code, which could further limit the amount of a participant's contributions for any plan year.

Participant contributions are allocated to the participant's account under the Plan (Plan account). A participant is always fully vested in the part of the Plan account attributable to employee contributions.

A participant is generally not subject to federal income tax on the amount of before-tax contributions to the Plan, or on the earnings on the before-tax and after-tax contributions, until the amounts are distributed from the Plan to the participant.

- c. **Employer Contributions:** For participants who are not Tier 2 Participants, the Company generally makes matching contributions in an amount equal to 66 2/3% of the participant's basic contributions made for any pay period. For Tier 2 Participants, the Company generally makes matching contributions in an amount equal to 100% of the participant's basic contributions made for any pay period. A participant's basic contributions are, for this purpose, generally equal to the portion of the participant's before-tax and after-tax contributions made for any week that is not in excess of amounts as defined in the Plan document or applicable collective bargaining agreement. The excess of a participant's contributions over the basic contribution limit is not eligible for the Company match.

Matching contributions are generally made on a bi-weekly basis under the current practice of the Company and must be made by the end of the first full month that ends after the participant's related contributions are made.

The Company's matching contributions for a participant are allocated to the participant's Plan account. A participant is generally vested in the Company's matching contributions if credited with at least three years of vesting service. However, a participant may become vested in such part of his or her Plan account in certain other situations, including continued employment with the Company after attaining age 65 or termination of employment with the Company due to total disability or death.

A participant is generally not subject to federal income tax on the amount of the matching contributions or on the earnings on these contributions until the amounts are distributed from the Plan to the participant.

- d. **Rollovers:** A participant may elect to rollover to the Plan an otherwise taxable distribution from another employer's tax-qualified savings, profit sharing, or other employer plan, if the distribution meets certain conditions set forth in the Plan and the Code. Any rollover contributions are allocated to the participant's Plan account. A participant is always fully vested in the part of the Plan account attributable to rollover contributions.

A participant is generally not subject to federal income tax on the rollover contributions or on the earnings on the rollover contributions until the amounts are distributed from the Plan to the participant.

- e. **Employee-Directed Investments:** A participant can specify the manner in which contributions made by or for the participant to the Plan shall be invested in the available funds under the Plan, and may elect to change the funds to which future contributions are allocated and transfer amounts held in the participant's Plan account from one fund to another.

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CINCINNATI BELL INC. SAVINGS AND SECURITY PLAN

NOTES TO FINANCIAL STATEMENTS

f. **Distributions to Participants:** A participant may receive a distribution of all or a portion of his or her Plan account while employed by the Company only in certain circumstances.

In general, a participant, while still employed by the Company, may withdraw, for any reason, after-tax contributions, rollover contributions, and the vested part of the Plan account attributable to Company matching contributions made for plan years before the three consecutive plan year period that ends with the plan year of the withdrawal. However, if the participant withdraws any after-tax contributions that have received a matching contribution from the Company and were contributed in the plan year of the withdrawal and/or either of the two immediately preceding plan years, the entire non-vested portion of his or her Plan account will be forfeited, and the participant will be suspended from actively participating in the Plan for six months after the withdrawal.

Further, a participant, while still employed by the Company, can withdraw amounts that are attributable to before-tax contributions if the withdrawal is required by reason of the participant's hardship situation, which meets the rules set forth in the Plan concerning hardship withdrawals. Any hardship withdrawal does not include the earnings on the before-tax contributions that were allocated after December 31, 1988.

Other than for the withdrawals described above, the distribution of a participant's Plan account will generally occur only after the participant's employment with the Company has terminated for any reason, including retirement, discharge, termination, disability, or death. Only the portion of the participant's Plan account that is vested may be distributed; the non-vested portion of such account, if any, is forfeited in accordance with rules set forth in the Plan.

If the value of the participant's vested Plan account is \$1,000 or less, the participant's vested account under the Plan can be distributed, within a reasonable administrative period, in a lump sum and without the consent of the participant after the participant's employment with the Company ends for any reason.

g. **Employee Loans:** Loans are available from the Plan to participants under the current provisions and policies of the Plan. Loans are subject to several conditions, certain of which are described below.

A participant cannot have more than two outstanding loans from the Plan at any time. The minimum amount of any loan to a participant is \$1,000, while the maximum amount cannot exceed the lesser of (i) 50% of the vested balance of the participant's Plan account, excluding amounts attributable to the participant's contributions which were matched and the associated matching contributions from the Company for the plan year of the loan and the two preceding plan years and income earned after 1988 on the participant's before-tax contributions, or (ii) \$50,000 reduced by the highest outstanding balance of loans made to the participant from the Plan and other plans of the Company during the one year period preceding the new loan date.

The Company Employees' Benefit Committee determines the interest rate charged by the Plan on a loan made to a participant. In general, the interest rate is based on the prime rate plus 1.0% at the time the loan is made. As of December 30, 2009, interest rates on loans made under the Plan ranged between 4.3% and 10.0% per annum. For the plan year ended December 30, 2009, a participant also paid to Fidelity a \$35 origination fee for processing a new Plan loan and a \$15 annual maintenance fee for the life of the loan.

In general, any loan to a participant must be repaid through payroll deductions and be collateralized by up to 50% of the vested portion of the participant's Plan account. The minimum term of any loan to a participant is 6 months, and the maximum term of a loan is 60 months.

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NOTES TO FINANCIAL STATEMENTS

h. **Investments:** As of December 30, 2009, the following funds were available for investment under the Plan:

American Funds EuroPacific Growth Fund

Cincinnati Bell Inc. Common Stock Fund*

Fidelity Growth Company Fund*

Fidelity International Discovery Fund*

Fidelity Managed Income Portfolio II Fund*

Fidelity Mid-Cap Stock Fund*

Fidelity U.S. Equity Index Commingled Pool Fund*

LKCM Small Cap Equity Fund

PIMCO Total Return Fund

Vanguard Balanced Index Fund

Vanguard Mid-Cap Value Index Fund

Vanguard Target Retirement 2010 Fund

Vanguard Target Retirement 2015 Fund

Vanguard Target Retirement 2020 Fund

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Vanguard Target Retirement 2025 Fund

Vanguard Target Retirement 2030 Fund

Vanguard Target Retirement 2035 Fund

Vanguard Target Retirement 2040 Fund

Vanguard Target Retirement 2045 Fund

Vanguard Target Retirement 2050 Fund

Vanguard Target Retirement Income Fund

Vanguard Windsor II Fund

* Party-in-interest funds

Purchases and sales of securities are reflected as of the trade date. Dividend income is recorded on the ex-dividend date. Income from other investments is recorded on an accrual basis.

Management fees and operating expenses charged to the Plan for investments in the mutual funds are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees and operating expenses are reflected as a reduction of investment return for such investments.

- i. **Administrative Expenses:** Administrative expenses of the Plan that are not clearly related to a specific investment fund are generally paid by the Company. However, the Plan permits certain of these expenses to be paid from the Plan assets and allocated and charged to each participant's account based on the proportion that such participant's account balance bears to all account balances under the Plan.
- j. **Forfeitures:** Any amounts forfeited by participants under the Plan are applied to reduce subsequent contributions of the Company to the Plan. During the plan years ended December 30, 2009 and 2008, forfeited non-vested accounts totaled \$14,470 and \$11,831, respectively.
- k. **Use of Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Plan to make estimates and assumptions that affect the reported amounts of Net Assets Available for Benefits and the reported Changes in Net Assets Available for Benefits during the reporting period. Actual results could differ from these estimates.

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CINCINNATI BELL INC. SAVINGS AND SECURITY PLAN

NOTES TO FINANCIAL STATEMENTS

1. **Transfer to/from Other Plans:** If a Plan participant becomes a participant of the Cincinnati Bell Retirement Savings Plan, another defined contribution plan sponsored by the Company, or if a participant of the Cincinnati Bell Retirement Savings Plan becomes a participant of the Plan, the Plan account balance is generally transferred to and assumed by the recipient plan. These transfers are included in Transfers to other Company-sponsored plans, net on the Statement of Changes in Net Assets Available for Benefits.

(2) **Fair Value Measurements**

The Plan's investments in the Master Trust are stated at fair value. Mutual funds of the Plan are valued using the quoted market prices of the shares of each applicable mutual fund. The value of the Plan's Cincinnati Bell Inc. Common Stock Fund was determined by the ending share values as last published by the New York Stock Exchange on December 30, 2009. Common collective trust funds are stated at fair value as determined by the issuer of the common collective trust funds based on the fair market value of the underlying investments. Common collective trust funds with underlying investments in investment contracts are valued at the fair market value of the underlying investments and then adjusted to contract value. Participants ordinarily may direct the withdrawal or transfer of all or a portion of their investment at contract value. Contract value represents contributions made to the common collective trust funds, plus earnings, less participant withdrawals and administrative expenses. The common collective trust funds impose certain restrictions on the Plan, and the common collective trusts may be subject to circumstances that impact its ability to transact at contract value. Plan management believes that the occurrence of events that would cause the common collective trust funds to transact at less than contract value is not probable. Redemption for common collective trust funds is permitted daily and there are no unfunded commitments. The fair value of loans to participants made by the Plan as of December 30, 2009 and 2008 approximates carrying value.

ASC 820 established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 - Observable inputs for identical instruments such as quoted market prices;

Level 2 - Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs); and

Level 3 - Unobservable inputs that reflect the Company's determination of assumptions that market participants would use in pricing the asset or liability. These inputs are developed based on the best information available, including the Company's own data.

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CINCINNATI BELL INC. SAVINGS AND SECURITY PLAN

NOTES TO FINANCIAL STATEMENTS

At December 30, 2009 and 2008, the fair value and its placement in the fair value hierarchy of the underlying assets of the Cincinnati Bell Retirement Savings Plans Master Trust (the Master Trust) that are required to be measured at fair value on a recurring basis are as follows:

(dollars in thousands)	December 30, 2009	Level 1	Level 2	Level 3
Mutual funds				
Equity funds	\$ 99,700	\$ 99,700	\$	\$
Target date retirement funds	21,585	21,585		
Fixed income funds	18,708	18,708		
Balanced fund	1,923	1,923		
Common collective trust funds				
Stable value fund	27,565		27,565	
Equity fund	11,133		11,133	
Common stocks				
Common shares of Cincinnati Bell Inc.	15,350	15,350		
Total assets at fair value	\$ 195,964	\$ 157,266	\$ 38,698	\$

(dollars in thousands)	December 30, 2008	Level 1	Level 2	Level 3
Mutual funds				
Equity funds	\$ 84,537	\$ 75,296	\$ 9,241	\$
Target date retirement funds	15,579	15,579		
Fixed income funds	15,829	15,829		
Balanced fund	1,479	1,479		
Common collective trust funds				
Stable value fund	32,543		32,543	
Common stocks				
Common shares of Cincinnati Bell Inc.	9,468	9,468		
Total assets at fair value	\$ 159,435	\$ 117,651	\$ 41,784	\$

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CINCINNATI BELL INC. SAVINGS AND SECURITY PLAN

NOTES TO FINANCIAL STATEMENTS

At December 30, 2009 and 2008, the fair value and its placement in the fair value hierarchy of the participant loans in the Plan that are required to be measured at the fair value on a recurring basis is as follows:

(dollars in thousands)	December 30, 2009	Level 1	Level 2	Level 3
Participant loans	\$ 2,803	\$	\$	\$ 2,803

(dollars in thousands)	December 30, 2008	Level 1	Level 2	Level 3
Participant loans	\$ 3,163	\$	\$	\$ 3,163

The Plan's Level 3 investments, which are composed solely of participant loans, had the following changes:

(dollars in thousands)	Year Ended December 30,	
	2009	2008
Balance, beginning of year	\$ 3,163	\$ 3,270
Purchases, sales, issuances and settlements, net	(360)	(107)
Balance, end of year	\$ 2,803	\$ 3,163

(3) Interest in Master Trust

At December 30, 2009 and 2008, the Plan's assets were held by the Master Trust. The Master Trust holds only the assets of the Plan and the Cincinnati Bell Retirement Savings Plan, an additional plan sponsored by the Company.

The purpose of the Master Trust is the collective investment of assets of the Plan and the Cincinnati Bell Retirement Savings Plan (collectively, the Savings Plans). Master Trust assets are allocated to the Savings Plans by assigning to each plan those transactions (primarily contributions and benefit payments) which can be specifically identified to that Savings Plan. Net investment income, gains and losses, and expenses resulting from the collective investment of the assets are allocated to the Savings Plans in proportion to the fair value of the assets allocated to the Savings Plans.

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CINCINNATI BELL INC. SAVINGS AND SECURITY PLAN

NOTES TO FINANCIAL STATEMENTS

As of December 30, 2009 and 2008, the Plan's percentage of assets held in the Master Trust was 29% and 32%, respectively. The following table presents the fair value of the total investments held by the Master Trust, excluding participant loans, in which the Plan invests:

(dollars in thousands)	December 30,	
	2009	2008
Mutual funds and common collective trust funds	\$ 180,614	\$ 149,967
Common shares of Cincinnati Bell Inc.	15,350	9,468
Net assets available to participating plans at fair value	\$ 195,964	\$ 159,435
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	346	1,321
Net assets available to participating plans	\$ 196,310	\$ 160,756

During the plan year ended December 30, 2009, realized and unrealized gains and interest and dividends on investments held by the Master Trust were as follows:

(dollars in thousands)	Gain on Investments		Interest and Dividends
	Realized	Unrealized	
Mutual funds and common collective trust funds	\$ 2,436	\$ 33,325	\$ 3,423
Common shares of Cincinnati Bell Inc.	950	6,619	
	\$ 3,386	\$ 39,944	\$ 3,423

The Plan's portion of the gains on the Master Trust's investments and investment income for the plan year ended December 30, 2009 was as follows:

(dollars in thousands)	Gain on Investments Realized	Interest and Dividends
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