

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

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 2020

☐ **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
(State of Incorporation)

31-1056105
(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)

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Shares (\$0.01 par value)	CBB	New York Stock Exchange
Depository Shares, each representing 1/20 interest in a Share of 6 3/4% Cumulative		
Convertible Preferred Stock, without par value	CBB.PB	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒
Securities Registered Pursuant to Section 12(b) of the Act:

At October 31, 2020, there were 50,680,605 common shares outstanding.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue	\$ 389.5	\$ 382.5	\$ 1,149.5	\$ 1,146.3
Costs and expenses				
Cost of services and products, excluding items below	203.9	194.7	591.0	587.9
Selling, general and administrative, excluding items below	86.0	88.0	255.3	261.3
Depreciation and amortization	71.9	75.5	220.8	229.1
Restructuring and severance related charges	0.8	1.3	16.4	6.4
Transaction and integration costs	2.2	0.2	33.8	3.8
Total operating costs and expenses	364.8	359.7	1,117.3	1,088.5
Operating income	24.7	22.8	32.2	57.8
Interest expense	33.4	35.0	100.6	105.0
Other components of pension and postretirement benefit plans expense	2.6	2.8	9.0	8.4
Other (income) expense, net	(0.2)	0.5	(1.2)	(0.4)
Loss before income taxes	(11.1)	(15.5)	(76.2)	(55.2)
Income tax benefit	(2.9)	(1.9)	(26.2)	(9.2)
Net loss	(8.2)	(13.6)	(50.0)	(46.0)
Preferred stock dividends	2.6	2.6	7.8	7.8
Net loss applicable to common shareowners	\$ (10.8)	\$ (16.2)	\$ (57.8)	\$ (53.8)
Basic and diluted net loss per common share	\$ (0.21)	\$ (0.32)	\$ (1.14)	\$ (1.07)

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net loss	\$ (8.2)	\$ (13.6)	\$ (50.0)	\$ (46.0)
Other comprehensive income (loss), net of tax:				
Foreign currency translation gain (loss)	2.0	(1.0)	(2.1)	2.1
Cash flow hedges:				
Unrealized loss on cash flow hedges arising during the period, net of tax of (\$0.1), (\$0.9), (\$3.3), (\$4.2)	(0.5)	(3.0)	(11.3)	(13.9)
Reclassification adjustment for net losses included in net income, net of tax of \$0.5, \$0.2, \$1.4, \$0.3	1.8	0.4	4.6	0.8
Defined benefit plans:				
Net gain (loss) arising from remeasurement during the period, net of tax of \$1.0, (\$3.4), \$0.0	3.2	—	(11.5)	0.1
Amortization of prior service benefits included in net income, net of tax of (\$0.1), (\$0.2), (\$0.4), (\$0.5)	(0.5)	(0.4)	(1.5)	(1.4)
Amortization of net actuarial loss included in net income, net of tax of \$1.1, \$1.0, \$3.3, \$2.7	3.7	2.9	11.1	8.9
Reclassification adjustment for pension settlement charges included in net income, net of tax of \$0.2	—	—	0.9	—
Total other comprehensive income (loss)	9.7	(1.1)	(9.8)	(3.4)
Total comprehensive income (loss)	<u>\$ 1.5</u>	<u>\$ (14.7)</u>	<u>\$ (59.8)</u>	<u>\$ (49.4)</u>

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

CONDENSED CONSOLIDATED STATEMENTS OF SHAREOWNERS' DEFICIT
(Dollars in millions)
(Unaudited)

	6 3/4 % Cumulative Convertible Preferred Shares		Common Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount	Shares	Amount				
Balance at June 30, 2020	3.1	\$ 129.4	50.7	\$ 0.5	\$ 2,672.9	\$ (2,817.8)	\$ (189.6)	\$ (204.6)
Net loss	—	—	—	—	—	(8.2)	—	(8.2)
Other comprehensive income	—	—	—	—	—	—	9.7	9.7
Stock-based compensation	—	—	—	—	1.2	—	—	1.2
Dividends on preferred stock	—	—	—	—	(2.6)	—	—	(2.6)
Balance at September 30, 2020	3.1	\$ 129.4	50.7	\$ 0.5	\$ 2,671.5	\$ (2,826.0)	\$ (179.9)	\$ (204.5)
Balance at June 30, 2019	3.1	\$ 129.4	50.4	\$ 0.5	\$ 2,677.4	\$ (2,741.8)	\$ (177.8)	\$ (112.3)
Net loss	—	—	—	—	—	(13.6)	—	(13.6)
Other comprehensive loss	—	—	—	—	—	—	(1.1)	(1.1)
Stock-based compensation	—	—	—	—	2.0	—	—	2.0
Dividends on preferred stock	—	—	—	—	(2.6)	—	—	(2.6)
Balance at September 30, 2019	3.1	\$ 129.4	50.4	\$ 0.5	\$ 2,676.8	\$ (2,755.4)	\$ (178.9)	\$ (127.6)

	6 3/4 % Cumulative Convertible Preferred Shares		Common Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount	Shares	Amount				
Balance at December 31, 2019	3.1	\$ 129.4	50.4	\$ 0.5	\$ 2,676.2	\$ (2,776.0)	\$ (170.1)	\$ (140.0)
Net loss	—	—	—	—	—	(50.0)	—	(50.0)
Other comprehensive loss	—	—	—	—	—	—	(9.8)	(9.8)
Shares issued under employee plans	—	—	0.3	—	—	—	—	—
Shares purchased under employee plans and other	—	—	—	—	(1.1)	—	—	(1.1)
Stock-based compensation	—	—	—	—	4.2	—	—	4.2
Dividends on preferred stock	—	—	—	—	(7.8)	—	—	(7.8)
Balance at September 30, 2020	3.1	\$ 129.4	50.7	\$ 0.5	\$ 2,671.5	\$ (2,826.0)	\$ (179.9)	\$ (204.5)
Balance at December 31, 2018	3.1	\$ 129.4	50.2	\$ 0.5	\$ 2,680.0	\$ (2,709.4)	\$ (175.5)	\$ (75.0)
Net loss	—	—	—	—	—	(46.0)	—	(46.0)
Other comprehensive loss	—	—	—	—	—	—	(3.4)	(3.4)
Shares issued under employee plans	—	—	0.2	—	—	—	—	—
Shares purchased under employee plans and other	—	—	—	—	(0.8)	—	—	(0.8)
Stock-based compensation	—	—	—	—	5.4	—	—	5.4
Dividends on preferred stock	—	—	—	—	(7.8)	—	—	(7.8)
Balance at September 30, 2019	3.1	\$ 129.4	50.4	\$ 0.5	\$ 2,676.8	\$ (2,755.4)	\$ (178.9)	\$ (127.6)

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

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

	September 30, 2020	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	\$ 8.8	\$ 11.6
Receivables, less allowances of \$20.2 and \$14.3	280.1	307.7
Inventory, materials and supplies	28.7	44.6
Prepaid expenses	30.8	28.3
Other current assets	13.2	11.6
Total current assets	361.6	403.8
Property, plant and equipment, net	1,732.5	1,780.8
Operating lease right-of-use assets	34.1	35.8
Goodwill	159.3	160.5
Intangible assets, net	143.4	155.4
Deferred income tax assets	86.2	59.3
Other noncurrent assets	46.7	58.2
Total assets	<u>\$ 2,563.8</u>	<u>\$ 2,653.8</u>
Liabilities and Shareowners' Deficit		
Current liabilities		
Current portion of long-term debt	\$ 21.6	\$ 22.3
Accounts payable	223.6	284.6
Unearned revenue and customer deposits	50.3	59.1
Accrued taxes	20.4	29.1
Accrued interest	24.5	26.8
Accrued payroll and benefits	62.8	49.0
Other current liabilities	46.9	52.6
Total current liabilities	450.1	523.5
Long-term debt, less current portion	1,936.4	1,901.3
Operating lease liabilities	30.9	32.1
Pension and postretirement benefit obligations	216.9	215.5
Pole license agreement obligation	37.1	38.0
Deferred income tax liability	10.8	11.7
Other noncurrent liabilities	86.1	71.7
Total liabilities	2,768.3	2,793.8
Shareowners' deficit		
Preferred stock, 2,357,299 shares authorized, 155,250 shares (3,105,000 depositary shares) of 6 3/4% Cumulative Convertible Preferred Stock issued and outstanding at September 30, 2020 and December 31, 2019; liquidation preference \$1,000 per share (\$50 per depositary share)	129.4	129.4
Common shares, \$.01 par value; 96,000,000 shares authorized; 50,680,605 and 50,420,700 shares issued and outstanding at September 30, 2020 and December 31, 2019	0.5	0.5
Additional paid-in capital	2,671.5	2,676.2
Accumulated deficit	(2,826.0)	(2,776.0)
Accumulated other comprehensive loss	(179.9)	(170.1)
Total shareowners' deficit	(204.5)	(140.0)
Total liabilities and shareowners' deficit	<u>\$ 2,563.8</u>	<u>\$ 2,653.8</u>

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

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

	Nine Months Ended September 30,	
	2020	2019
Cash flows from operating activities		
Net loss	\$ (50.0)	\$ (46.0)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	220.8	229.1
Provision for loss on receivables	11.6	9.1
Noncash portion of interest expense	4.1	4.8
Deferred income taxes	(26.4)	(8.4)
Pension and other postretirement payments less than (in excess of) expense	0.3	(0.2)
Stock-based compensation	4.2	5.4
Other, net	(0.7)	(3.4)
Changes in operating assets and liabilities:		
Decrease in receivables	14.8	82.4
Decrease (increase) in inventory, materials, supplies, prepaid expenses and other current assets	12.2	(0.6)
Decrease in accounts payable	(56.6)	(76.4)
Decrease in accrued and other current liabilities	(12.2)	(12.1)
Decrease in other noncurrent assets	9.9	7.7
Increase (decrease) in other noncurrent liabilities	6.9	(2.5)
Net cash provided by operating activities	138.9	188.9
Cash flows from investing activities		
Capital expenditures	(159.2)	(167.3)
Other, net	(1.6)	0.3
Net cash used in investing activities	(160.8)	(167.0)
Cash flows from financing activities		
Net increase (decrease) in corporate credit and receivables facilities with initial maturities less than 90 days	48.0	(8.1)
Repayment of debt	(19.3)	(13.4)
Debt issuance costs	(0.5)	(0.8)
Dividends paid on preferred stock	(7.8)	(7.8)
Other, net	(1.1)	(0.8)
Net cash provided by (used in) financing activities	19.3	(30.9)
Effect of exchange rate changes on cash and cash equivalents	(0.2)	0.1
Net decrease in cash and cash equivalents	(2.8)	(8.9)
Cash and cash equivalents at beginning of period	11.6	15.4
Cash and cash equivalents at end of period	<u>\$ 8.8</u>	<u>\$ 6.5</u>
Noncash investing and financing transactions:		
Acquisition of property by assuming debt and other noncurrent liabilities	\$ 4.0	\$ 13.4
Acquisition of property on account	\$ 23.7	\$ 26.1

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Description of Business and Accounting Policies

Description of Business — Cincinnati Bell Inc. and its consolidated subsidiaries ("Cincinnati Bell," "we," "our," "us" or the "Company") provide diversified telecommunications and technology services. The Company generates a large portion of its revenue by serving customers in Cincinnati, Ohio, Dayton, Ohio and the islands of Hawaii. An economic downturn or natural disaster occurring in these, or a portion of these, limited operating territories could have a disproportionate effect on our 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.

The Company has receivables with one customer, Verizon Communications Inc., which make up 11% and 25% of the outstanding accounts receivable balance at September 30, 2020 and December 31, 2019, respectively. Revenue derived from foreign operations was approximately 5% of consolidated revenue for the three and nine months ended September 30, 2020 and 2019.

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

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

The Condensed Consolidated Balance Sheet as of December 31, 2019 was derived from audited financial statements but does not include all disclosures required by U.S. GAAP. These Condensed Consolidated Financial Statements should be read in conjunction with the Company's 2019 Annual Report on Form 10-K. Operating results for the three and nine months ended September 30, 2020 are not necessarily indicative of the results expected for the full year or any other interim period.

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

On March 13, 2020, in response to the COVID-19 pandemic, the Federal Communications Commission ("FCC") called on broadband and telephone service providers to keep Americans connected as the country reacts to the serious disruptions caused by the coronavirus outbreak. Cincinnati Bell, on behalf of all of its affiliates, including Hawaiian Telecom, signed on to the Keep Americans Connected pledge ("Pledge") and committed to waive late fees for, and not terminate service to, any of our consumer or small business customers who did not pay their bills timely due to an inability to pay caused by the COVID-19 crisis. The Pledge expired on June 30, 2020 and beginning in July, the Company started initial communications to collect amounts that were past due and reinstated our standard collection practices. In accordance with regulatory orders in Hawaii, the Pledge has continued to be honored for certain regulated services through the date of this filing. As of September 30, 2020, our allowance for credit losses considered the current and potential future impacts caused by COVID-19 on each of the segments based on available information to date. It is reasonably possible that, as the economic factors and impacts of COVID-19 continue to evolve and the full impact of not terminating service is identified, the estimate could change and the effect could be material. While the stay at home orders have eased in certain markets, social distancing mandates communicated by the local, state and federal governments continue to impact how businesses must now operate and ultimately if they can remain open. With the exception of the incremental increase to the allowance for doubtful accounts, the Company is not aware of any other specific events or circumstances that would require updates to the Company's estimates and judgements, or revisions to the carrying value of its assets or liabilities as of the date of issuance of these financial statements. These estimates may change, as new events occur and additional information is obtained, and such change requires an update in the consolidated financial statements. Actual results could differ from those estimates and any such differences may be material to the financial statements.

Accounting Policies — The complete summary of significant accounting policies is included in the notes to the consolidated financial statements as presented in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Income and Operating Taxes

Income taxes — In accordance with ASC 740-270, the Company's income tax provision for interim periods is determined through the use of an estimated annual effective tax rate applied to year-to-date income/loss plus or minus the tax effects of discrete items. Since the Company is reporting a net loss before tax, the Company's estimated annual effective tax rate is lower than statutory rates as a result of permanent items such as meals and entertainment expenses that are not fully deductible for tax. The net effect of several discrete items recorded increased the tax benefit in the nine months ended September 30, 2020. Most significantly, the Company released valuation allowances of \$15.3 million during the nine months ended September 30, 2020, which were previously recorded on deferred tax assets related to interest expense for which the tax deduction was limited. The release of these valuation allowances was driven by the enactment of the U.S. Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") on March 27, 2020, which contains provisions that increase the Company's ability to deduct interest expense. Discrete tax benefits were offset, in part, by the \$7.6 million tax effect of nondeductible transaction costs.

Operating taxes — The Company elected to record certain operating taxes such as property, sales, use, and gross receipts taxes including telecommunications surcharges as expenses, primarily within cost of services and products. These taxes are not included in income tax expense because the amounts to be paid are not dependent on our level of income. Liabilities for audit exposures are established based on management's assessment of the probability of payment. The provision for such liabilities is recognized as either property, plant and equipment, operating tax expense, or depreciation expense depending on the nature of the audit exposure. Upon resolution of an audit, any remaining liability not paid is released against the account in which it was originally recorded. During the three and nine months ended September 30, 2020, the Company had net releases of \$0.3 million and \$4.7 million, respectively, of sales and use tax reserve due primarily to favorable audit results. Certain telecommunication taxes and surcharges that are collected from customers are also recorded as revenue; however, in accordance with ASC 606, revenue associated with these charges is excluded from the transaction price.

Derivative Financial Instruments — The Company accounts for derivative financial instruments by recognizing derivative instruments as either assets or liabilities in the Condensed Consolidated Balance Sheets at fair value and recognizing the resulting gains or losses as adjustments to the Condensed Consolidated Statements of Operations or "Accumulated Other Comprehensive Loss." The Company does not hold or issue derivative financial instruments for trading or speculative purposes.

For derivative instruments that hedge the exposure to variability in expected future cash flows that are designated and qualify as cash flow hedges, the gain or loss on the derivative instrument is reported as a component of "Accumulated Other Comprehensive Loss" in stockholder's equity and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. To receive hedge accounting treatment, cash flow hedges must be highly effective in offsetting changes to expected future cash flows on hedged transactions. Derivatives that do not qualify as hedges are adjusted to fair value through earnings in the current period.

Recently Issued Accounting Standards

In August 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-06, Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. The ASU reduces the number of accounting models for convertible debt instruments by eliminating the cash conversion and beneficial conversion models. As compared with current U.S. GAAP, more convertible debt instruments will be reported as a single liability instrument and the interest rate of more convertible debt instruments will be closer to the coupon interest rate. In addition, the ASU increases information related to disclosures for convertible instruments and aligns the consistency of diluted Earnings Per Share ("EPS") calculations for convertible instruments by requiring that (1) an entity use the if-converted method and (2) share settlement be included in the diluted EPS calculation for both convertible instruments and equity contracts when those contracts include an option of cash settlement or share settlement. The ASU is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is currently evaluating the impact this guidance may have on its condensed consolidated financial statements and related disclosures.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The ASU is intended to provide temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. These amendments are effective as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020 and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Company is currently evaluating our contracts and the optional expedients provided by the new standard.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326), which replaces the incurred loss model with the current expected credit loss (“CECL”) model to estimate credit losses for financial assets measured at amortized cost and certain off-balance sheet credit exposures. The CECL model requires a company to estimate credit losses expected over the life of the financial assets based on all relevant information including historical information, current conditions and reasonable and supportable forecasts that affect the collectability of the amounts. This standard is effective for public entities for fiscal years beginning after December 15, 2019. The standard requires a modified retrospective approach by recording a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. ASU 2016-13 was amended in November 2018 by the provisions of ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments – Credit Losses, in April 2019 by the provisions of ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments – Credit Losses, in May 2019 by the provisions of ASU 2019-05, Financial Instruments – Credit Losses (Topic 326), and in November 2019 by the provisions of ASU 2019-11, Codification Improvements to Topic 326, Financial Instruments – Credit Losses. The Company adopted this ASU and all subsequent amendments effective January 1, 2020. The adoption of this standard, as amended, did not have a material effect on the Company’s condensed consolidated financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standard-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company’s condensed consolidated financial statements upon adoption.

2. Earnings Per Common Share

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

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

(in millions, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Numerator:				
Net loss	\$ (8.2)	\$ (13.6)	\$ (50.0)	\$ (46.0)
Preferred stock dividends	2.6	2.6	7.8	7.8
Net loss applicable to common shareowners - basic and diluted	<u>\$ (10.8)</u>	<u>\$ (16.2)</u>	<u>\$ (57.8)</u>	<u>\$ (53.8)</u>
Denominator:				
Weighted average common shares outstanding - basic	50.7	50.4	50.6	50.4
Stock-based compensation arrangements	—	—	—	—
Weighted average common shares outstanding - diluted	<u>50.7</u>	<u>50.4</u>	<u>50.6</u>	<u>50.4</u>
Basic and diluted net loss per common share	<u>\$ (0.21)</u>	<u>\$ (0.32)</u>	<u>\$ (1.14)</u>	<u>\$ (1.07)</u>

For the three and nine months ended September 30, 2020 and 2019, the Company had a net loss available to common shareholders and, as a result, all common stock equivalents were excluded from the computation of diluted EPS as their inclusion would have been anti-dilutive. For all periods presented, preferred stock convertible into 0.9 million common shares was excluded as it was anti-dilutive.

3. Mergers and Acquisitions

Pending Acquisition by MIP

On December 21, 2019, the Company entered into an Agreement and Plan of Merger (as amended from time to time, the “Brookfield Merger Agreement”) with affiliates of the Brookfield Infrastructure Group (“Brookfield”), the infrastructure investment division of Brookfield Asset Management, which was subsequently amended. Pursuant to the amended Brookfield Merger Agreement, the Company would be acquired by an affiliate of Brookfield for \$14.50 per Common Share.

On March 13, 2020, the Company terminated the Brookfield Merger Agreement and entered into an Agreement and Plan of Merger (the “MIP Merger Agreement”) pursuant to which the Company will be acquired by an affiliate of Macquarie Infrastructure Partners V (“MIP”), a fund managed by Macquarie Infrastructure and Real Assets (the “MIP Merger”). At the effective time of the MIP Merger (the “Effective Time”), each of our issued and outstanding Common Shares will be converted into the right to receive \$15.50 in cash per Common Share, without interest, and the 6 3/4% Cumulative Convertible Preferred Shares will remain issued and outstanding as 6 3/4% Cumulative Convertible Preferred Shares of the Company, without par value, following the Effective Time.

In connection with the termination of the Brookfield Merger Agreement in the first quarter of 2020, the Company paid to an affiliate of Brookfield a termination fee of \$24.8 million as required by the terms of the Brookfield Merger Agreement. The termination fee is recorded in “Transaction and integration costs” on the Condensed Consolidated Statements of Operations.

The consummation of the MIP Merger is subject to customary closing conditions, including (i) the adoption of the MIP Merger Agreement by the affirmative vote of the holders of at least two-thirds of all outstanding Common Shares and 6 ³/₄% Cumulative Convertible Preferred Shares, voting as a single class; (ii) the expiration or early termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, (iii) the receipt of any required consents or approvals from (a) the Committee on Foreign Investment in the United States, (b) the Federal Communications Commission, (c) state public service and state public utility commissions and (d) local regulators in connection with the provision of telecommunications and media services; and (iv) the absence of any legal restraint preventing the consummation of the MIP Merger. On May 7, 2020, the shareholders of the Company adopted the MIP Merger Agreement at a virtual special meeting of shareholders.

The MIP Merger Agreement contains representations and warranties and covenants of the parties customary for a transaction of this nature.

The MIP Merger is expected to close in the first half of 2021, although there can be no assurance that the MIP Merger will occur by that date. At the Effective Time, the Company will cease to be a publicly traded company as a result of the completion of the MIP Merger.

Consent Solicitation for 7.000% Senior Notes due 2024 and 8.000% Senior Notes due 2025

On June 15, 2020, the Company announced that it had commenced consent solicitations (the “Consent Solicitations”) with respect to certain proposed amendments to the (i) indenture, dated as of September 22, 2016 (as supplemented and amended, the “2024 Notes Indenture”) governing its 7.000% Senior Notes due 2024 (the “2024 Notes”) and (ii) indenture, dated as of October 6, 2017 (as supplemented and amended, the “2025 Notes Indenture,” and together with the 2024 Notes Indenture, the “Indentures”) governing its 8.000% Senior Notes due 2025 (the “2025 Notes,” and together with the 2024 Notes, the “Notes”).

Upon the terms and subject to the conditions described in the consent solicitation statement, dated June 15, 2020 (as supplemented by the Company's press release, dated June 22, 2020, the Company's press release, dated June 25, 2020, the supplement to the consent solicitation statement, dated June 25, 2020 and the Company's press release, dated June 30, 2020, the “Consent Solicitation Statement”), the Company solicited consents in order to (i) amend the definition of “Change of Control” in the Indentures so that the MIP Merger would not constitute a Change of Control and (ii) add a definition of, and designate certain persons, including MIP and its affiliates and Ares Management Corporation and its affiliates as, “Permitted Holders” (collectively, the “Proposed Amendments”).

On July 2, 2020 (the “Effective Date”), following receipt of the requisite consents from holders of the Notes pursuant to the Consent Solicitations to amend certain provisions of the Indentures, which Consent Solicitations expired at 5:00 p.m., New York City time on July 2, 2020, the Company, certain of the Company's subsidiaries, as guarantors, and Regions Bank, as trustee, entered into a sixth supplemental indenture, dated as of July 2, 2020 (the “Sixth Supplemental Indenture”) to the 2024 Notes Indenture and a second supplemental indenture, dated as of July 2, 2020 to the 2025 Notes Indenture (the “Second Supplemental Indenture”, and, together with the Sixth Supplemental Indenture, the “Supplemental Indentures”).

Subject to the terms and conditions in the Consent Solicitation Statement (including the consummation of the MIP Merger), holders who validly delivered (and did not validly revoke) their consents on or prior to the Effective Date are eligible to receive (i) with respect to the 2024 Notes, an aggregate cash payment of \$2,812,500, on a pro rata basis (based on aggregate principal amount of 2024 Notes for which consents have been validly delivered and not revoked), and (ii) with respect to the 2025 Notes, an aggregate cash payment of \$1,050,000, on a pro rata basis (based on aggregate principal amount of 2025 Notes for which consents have been validly delivered and not revoked). The Company expects to make this cash payment substantially concurrently with the consummation of the MIP Merger.

The Supplemental Indentures became effective upon execution thereof, but the Proposed Amendments will only become operative upon the occurrence of certain conditions described in the Supplemental Indentures, including payment of the consent fees pursuant to the Consent Solicitations. If the conditions described in the Supplemental Indentures are not satisfied, the Indentures will revert to the form in effect immediately prior to the Effective Date. In addition, subject to the terms and conditions described in the Consent Solicitation Statement and upon satisfaction or waiver of such conditions, including the consummation of the MIP Merger, the Company will secure the Notes and the related guarantees on a *pari passu* basis (subject to certain exceptions) with the new senior secured credit facilities expected to be entered into in connection with the MIP Merger (the “Collateral”). Any Collateral granted by the Company (but not its subsidiaries) to secure the Notes will also secure the Issuer's 7.25% Senior Notes due 2023 and any Collateral granted by the Company's subsidiary Cincinnati Bell Telephone Company LLC (“CBT”) to secure the Notes will also secure CBT's 6.30% Senior Notes due 2028, in each case on an equal and ratable basis.

4. Revenue

The Entertainment and Communications segment provides products and services to both residential and commercial customers that can be categorized as either Fioptics in Cincinnati or Consumer/SMB in Hawaii (collectively, "Consumer/SMB"), Enterprise Fiber or Legacy. The products and services within these three categories can be further categorized as either Data, Voice, Video or Other. Consumer/SMB and Legacy revenue includes both residential and commercial customers. Enterprise Fiber revenue includes ethernet and dedicated internet access services that are provided to enterprise customers, as well as revenue associated with the trans-Pacific submarine cable ("SEA-US").

Residential customers have implied month-to-month contracts. Commercial customers, with the exception of contracts associated with the SEA-US, typically have contracts with a duration of one to five years and automatically renew on a month-to-month basis. Customers are invoiced on a monthly basis for services rendered. Contracts for projects that are included within the Other revenue stream are typically short in duration and less than one year. Contracts associated with the SEA-US typically range from 15 to 25 years, and payment is prepaid.

The IT Services and Hardware segment provides a full range of Information Technology ("IT") solutions, including Communications, Cloud and Consulting services. IT Services and Hardware customers enter into contracts that have a typical duration of one to five years, with varied renewal options at the end of the term. Customers are invoiced on a monthly basis for services rendered. The IT Services and Hardware segment also provides enterprise customers with Infrastructure Solutions, which includes the sale of hardware and maintenance contracts. These contracts are typically satisfied in less than twelve months and revenue is recognized at a point in time.

The Company has elected the practical expedient described in ASC 606-10-32-18 that allows an entity to not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects that the period of time between the transfer of a promised good or service to the customer and when the customer pays for such good or service will be one year or less. Customers are typically billed immediately upon the rendering of services or the delivery of products. Payment terms for customers are between 30 and 120 days. Subsequent to the acquisition of Hawaiian Telcom Holdeco, Inc. ("Hawaiian Telcom"), the Company began recognizing a financing component associated with the up-front payments for services to be delivered under indefeasible right of use ("IRU") contracts for fiber circuit capacity. The IRU contracts are primarily associated with the SEA-US. The IRU contracts typically have a duration ranging from 15 to 25 years.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, or a series of distinct goods or services, and is the unit of account defined in ASC Topic 606. The transaction price identified in the contract is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Contract modifications for changes to services provided are routine throughout the term of our contracts. In most instances, contract modifications are for the addition or reduction of services that are distinct, and price changes are based on the stand-alone selling price of the service and, as such, are accounted for on a prospective basis as a new contract.

Goods and services are sold individually, or a contract may include multiple goods or services. For contracts with multiple goods and services, the transaction price identified in the contract is allocated to each performance obligation using the stand-alone selling price of each distinct good or service in the contract.

Certain customers of the Company may receive cash-based rebates based on volume of sales, which are accounted for as variable consideration. Potential rebates are considered at contract inception in our estimate of transaction price based on the estimated projection of sales volume. Estimates are reassessed quarterly.

Performance obligations are satisfied either over time as services are performed or at a point in time. Substantially all of our service revenue is recognized over time. For services transferred over time, the Company has elected the practical expedient to recognize revenue based on amounts invoiced to the customer as the Company has concluded that the invoice amount directly corresponds with the value of services provided to the customer. Management considers this a faithful depiction of the transfer of control as services are provided evenly over the month and are substantially the same over the life of the contract. As the Company has elected the practical expedients detailed at ASC 606-10-50-13, revenue for these unsatisfied performance obligations that will be billed in future periods has not been disclosed.

As of September 30, 2020, our estimated revenue, including a financing component, expected to be recognized in the future related to performance obligations associated with customer contracts that are unsatisfied (or partially unsatisfied) is \$35.5 million. Approximately 80% of this revenue is related to IRU contracts associated with the SEA-US. Certain IRU contracts extend for periods of up to 30 years and are invoiced at the beginning of the contract term. The revenue from such contracts is recognized over time as services are provided over the contract term. The expected revenue to be recognized for existing IRU contracts is as follows:

(dollars in millions)

Three months ended December 31, 2020	\$	0.8
2021		2.5
2022		2.6
2023		2.5
2024		2.6
Thereafter		24.5

Entertainment and Communications

The Company has identified four distinct performance obligations in the Entertainment and Communications segment, namely Data, Voice, Video and Other. For each of the Data, Voice and Video services, service is delivered to the customer continuously and in a substantially similar manner for each period of the agreement, the customer takes full control over the services as the service is delivered, and as such Data, Voice and Video are identified to be a series of distinct services. Services provided by the Entertainment and Communications segment can be categorized into three main categories that include Consumer/SMB, Enterprise Fiber and Legacy, each of which may include one or more of the aforementioned performance obligations. Data services include high-speed internet access, digital subscriber lines, ethernet, routed network services, SONET (Synchronous Optical Network), dedicated internet access, wavelength, digital signal and IRU revenue. Voice services include traditional and fiber voice lines, switched access, digital trunking and consumer long distance calling. Video services are offered through our fiber network to residential and commercial customers based on various standard plans with the opportunity to add premium channels. To receive video services, customers are required to use the Company's set top boxes that are billed as part of the monthly recurring service. Set top boxes are not considered a separate performance obligation from video because the equipment is necessary for the service to operate and the customer has no alternative use for the equipment.

Services and products not included in Data, Voice or Video are included in Other revenue and are comprised of wire care, time and materials projects and advertising. Transfer of control of these services and products is evaluated on an individual project basis and can occur over time or at a point in time.

The Company uses multiple methods to determine stand-alone selling prices in the Entertainment and Communications segment. For Data, Video and Voice products in Consumer/SMB, market rate is the primary method used to determine stand-alone selling prices. For Data performance obligations under the Enterprise Fiber category, and Voice, Data and Other performance obligations under the Legacy category, stand-alone selling prices are determined based on a list price, discount off of list price, a tariff rate, a margin percentage range, or a minimum margin percentage.

IT Services and Hardware

The Company has identified four distinct performance obligations in the IT Services and Hardware segment. These performance obligations are Communications, Cloud, Consulting and Infrastructure Solutions. Communications services are monthly services that include data and VoIP services, tailored solutions that include converged IP communications of data, voice, video and mobility applications, enterprise long distance, MPLS (Multi-Protocol Label Switching) and conferencing services. Cloud services include storage, backup, disaster recovery, SLA-based monitoring and management, cloud computing and cloud consulting. Consulting services provide customers with IT staffing, consulting and emerging technology solutions. Infrastructure Solutions includes the sale of hardware and maintenance contracts as well as installation projects.

For the sale of hardware, the Company evaluated whether it is the principal or the agent. The Company has concluded it acts as an agent because it does not control the inventory before it is transferred to customers, it does not have the ability to direct the product to anyone besides the purchasing customer, and it does not integrate the hardware with any of its own goods or services. Based on this assessment, the performance obligation is to arrange a sale of hardware between the vendor and the customer. In the instance where there is an issue with the hardware, the Company coordinates with the manufacturer to facilitate a return in accordance with the standard manufacturer warranty. Hardware returns are not significant to the Company.

Within the IT Services and Hardware segment, stand-alone selling prices for the four performance obligations are determined based on either a margin percentage range, minimum margin percentage or standard price list.

For hardware sales, revenue is recognized net of the cost of product and is recognized when the hardware is either shipped or delivered in accordance with the terms of the contract. For certain projects within Communications and Consulting, revenue is recognized when the customer communicates acceptance of the services performed. For contracts with freight on board shipping terms, management has elected to account for shipping and handling as activities to fulfill the promise to transfer the good, and therefore has not evaluated whether shipping and handling activities are promised services to its customers.

Contract Balances

The Company recognizes incremental fulfillment costs as an asset when installation expenses are incurred as part of performing the agreement for Voice, Video and Data product offerings in the Entertainment and Communications segment in which the contract life is longer than one year. These fulfillment costs are amortized ratably over the expected life of the customer, which is representative of the expected period of benefit of the asset capitalized. The expected life of the customer is determined utilizing the average churn rate for each product. The Company calculates average churn based on the historical average customer life. We also recognize an asset for incremental fulfillment costs for certain Communications services in the IT Services and Hardware segment that require us to incur installation and provisioning expenses. The asset recognized for Communication services is amortized over the average contract life. Churn rates and average contract life are reviewed on an annual basis. Fulfillment costs are capitalized to "Other noncurrent assets." The related amortization expense is recorded to "Cost of services and products."

The Company recognizes an asset for the incremental costs of acquiring a contract with a customer if we expect the benefit of those costs to be longer than one year. We have determined that certain sales incentive programs related to Voice, Video, Data and certain Communications and Cloud services meet the requirements to be capitalized. The contract asset established for the costs of acquiring a contract is recorded to "Other noncurrent assets." Sales incentives are amortized ratably over the period that services are delivered using either an average churn rate or average contract term, both representative of the expected period of benefit of the asset capitalized. Customer churn rates and average contract term assumptions are reviewed on an annual basis. The related amortization expense is recorded to "Selling, general and administrative."

Management has elected to use the practical expedient detailed in ASC 340-40-25-4 to expense any costs to fulfill a contract and costs to obtain a contract as they are incurred when the amortization period would have been one year or less. This practical expedient has been applied to fulfillment costs that include installation costs associated with wiring projects and certain Cloud services. In addition, this practical expedient has been applied to acquisition costs associated with revenue from certain Communications projects.

The following table presents the activity for the Company's contract assets:

(dollars in millions)	Fulfillment Costs			Cost of Acquisition			Total Contract Assets		
	Entertainment and Communications	IT Services and Hardware	Total Company	Entertainment and Communications	IT Services and Hardware	Total Company	Entertainment and Communications	IT Services and Hardware	Total Company
Balance as of December 31, 2019	\$ 8.0	\$ 4.1	\$ 12.1	\$ 14.8	\$ 2.3	\$ 17.1	\$ 22.8	\$ 6.4	\$ 29.2
Additions	0.9	0.5	1.4	2.3	0.3	2.6	3.2	0.8	4.0
Amortization	(2.1)	(0.6)	(2.7)	(2.0)	(0.4)	(2.4)	(4.1)	(1.0)	(5.1)
Balance as of March 31, 2020	6.8	4.0	10.8	15.1	2.2	17.3	21.9	6.2	28.1
Additions	0.9	0.4	1.3	2.2	0.3	2.5	3.1	0.7	3.8
Amortization	(2.0)	(0.6)	(2.6)	(2.0)	(0.4)	(2.4)	(4.0)	(1.0)	(5.0)
Balance as of June 30, 2020	5.7	3.8	9.5	15.3	2.1	17.4	21.0	5.9	26.9
Additions	0.9	0.6	1.5	2.3	0.1	2.4	3.2	0.7	3.9
Amortization	(2.0)	(0.6)	(2.6)	(2.1)	(0.3)	(2.4)	(4.1)	(0.9)	(5.0)
Balance as of September 30, 2020	4.6	3.8	8.4	15.5	1.9	17.4	20.1	5.7	25.8

The Company recognizes a liability for cash received upfront for IRU contracts. At September 30, 2020 and December 31, 2019, \$1.6 million and \$1.5 million, respectively, of contract liabilities were included in "Other current liabilities." At September 30, 2020 and December 31, 2019, \$26.6 million and \$27.1 million, respectively, of contract liabilities were included in "Other noncurrent liabilities."

Disaggregated Revenue

The following table presents revenues disaggregated by product and service lines:

(dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Data	\$ 119.8	\$ 119.5	\$ 358.8	\$ 356.5
Video	48.1	50.2	145.1	153.5
Voice	65.5	70.7	197.6	215.4
Other	7.6	8.1	23.0	23.9
Total Entertainment and Communications	241.0	248.5	724.5	749.3
Consulting	49.4	37.6	138.5	114.6
Cloud	21.1	22.6	63.0	69.8
Communications	53.9	51.3	160.3	147.0
Infrastructure Solutions	30.8	29.0	82.7	85.6
Total IT Services and Hardware	155.2	140.5	444.5	417.0
Intersegment revenue	(6.7)	(6.5)	(19.5)	(20.0)
Total revenue	\$ 389.5	\$ 382.5	\$ 1,149.5	\$ 1,146.3

The following table presents revenues disaggregated by contract type:

(dollars in millions)	Three Months Ended September 30,							
	Entertainment and Communications		IT Services and Hardware		Intersegment revenue elimination		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Products and Services transferred at a point in time	\$ 6.6	\$ 7.7	\$ 34.1	\$ 33.5	\$ —	\$ —	\$ 40.7	\$ 41.2
Products and Services transferred over time	229.5	235.5	119.3	105.8	—	—	348.8	341.3
Intersegment revenue	4.9	5.3	1.8	1.2	(6.7)	(6.5)	—	—
Total revenue	\$ 241.0	\$ 248.5	\$ 155.2	\$ 140.5	\$ (6.7)	\$ (6.5)	\$ 389.5	\$ 382.5

(dollars in millions)	Nine Months Ended September 30,							
	Entertainment and Communications		IT Services and Hardware		Intersegment revenue elimination		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Products and Services transferred at a point in time	\$ 19.1	\$ 23.6	\$ 93.2	\$ 95.2	\$ —	\$ —	\$ 112.3	\$ 118.8
Products and Services transferred over time	690.6	709.2	346.6	318.3	—	—	1,037.2	1,027.5
Intersegment revenue	14.8	16.5	4.7	3.5	(19.5)	(20.0)	—	—
Total revenue	\$ 724.5	\$ 749.3	\$ 444.5	\$ 417.0	\$ (19.5)	\$ (20.0)	\$ 1,149.5	\$ 1,146.3

5. Goodwill and Intangible Assets

Goodwill

The changes in the Company's goodwill consisted of the following:

(dollars in millions)	IT Services and Hardware	Entertainment and Communications	Total Company
Goodwill, balance as of December 31, 2019	\$ 148.1	\$ 12.4	\$ 160.5
Activity during the year:			
Currency translations	(1.2)	—	(1.2)
Goodwill, balance as of September 30, 2020	\$ 146.9	\$ 12.4	\$ 159.3

No impairment losses were recognized in goodwill for the three and nine months ended September 30, 2020 and 2019.

Intangible Assets

The Company's intangible assets consisted of the following:

(dollars in millions)	September 30, 2020			December 31, 2019		
	Gross Carrying Amount (a)	Accumulated Amortization	Net Amount	Gross Carrying Amount (a)	Accumulated Amortization	Net Amount
Customer relationships	\$ 140.0	\$ (36.0)	\$ 104.0	\$ 140.8	\$ (28.4)	\$ 112.4
Trade names	40.9	(8.4)	32.5	41.3	(6.0)	35.3
Technology	9.8	(2.9)	6.9	9.9	(2.2)	7.7
Total	<u>\$ 190.7</u>	<u>\$ (47.3)</u>	<u>\$ 143.4</u>	<u>\$ 192.0</u>	<u>\$ (36.6)</u>	<u>\$ 155.4</u>

(a) Change in gross carrying amounts is due to foreign currency translation on certain intangible assets.

Amortization expense for intangible assets was \$3.6 million and \$10.8 million for the three and nine months ended September 30, 2020, respectively. Amortization expense for intangible assets was \$3.7 million and \$11.0 million for the three and nine months ended September 30, 2019, respectively. In addition to amortization expense, the changes in definite-lived intangible assets from December 31, 2019 to September 30, 2020 are due to foreign currency translation. No impairment losses were recognized for the three and nine months ended September 30, 2020 and 2019.

The estimated useful lives for each intangible asset class are as follows:

Customer relationships	8 to 15 years
Trade names	10 to 15 years
Technology	10 years

The annual estimated amortization expense for future years is as follows:

(dollars in millions)	
Three months ended December 31, 2020	\$ 3.6
2021	14.1
2022	13.9
2023	13.5
2024	13.3
Thereafter	85.0
Total	<u>\$ 143.4</u>

During the third quarter of 2020, the Company participated in Auction 105 conducted by the FCC for Priority Access Licenses of the Citizens Band Radio Service Spectrum ("CBRS"). In September 2020, the FCC announced that the Company was the winning bidder of 56 wireless spectrum licenses for an aggregate price of \$6.2 million. Prior to the inception of Auction 105 in June 2020, the Company deposited \$1.7 million with the FCC. The deposit is included in "Other current assets" as of September 30, 2020 in the Condensed Consolidated Balance Sheets. On October 1, 2020, the Company paid the FCC the remaining \$4.5 million of the purchase price for the licenses won in the auction. The Company expects the licenses to be transferred in the fourth quarter of 2020.

6. Debt and Other Financing Arrangements

The Company's debt consists of the following:

(dollars in millions)	September 30, 2020	December 31, 2019
Current portion of long-term debt:		
Credit Agreement - Tranche B Term Loan due 2024	\$ 6.0	\$ 6.0
Other financing arrangements	2.0	2.0
Finance lease liabilities	13.6	14.3
Current portion of long-term debt	21.6	22.3
Long-term debt, less current portion:		
Receivables Facility	179.5	131.5
Credit Agreement - Revolving Credit Facility	57.0	57.0
Credit Agreement - Tranche B Term Loan due 2024	582.0	586.5
7 1/4% Senior Notes due 2023	22.3	22.3
7% Senior Notes due 2024	625.0	625.0
8% Senior Notes due 2025	350.0	350.0
Various Cincinnati Bell Telephone notes	87.9	87.9
Other financing arrangements	1.3	3.2
Finance lease liabilities	50.3	59.5
	1,955.3	1,922.9
Net unamortized premium	1.1	1.3
Unamortized note issuance costs	(20.0)	(22.9)
Long-term debt, less current portion	1,936.4	1,901.3
Total debt	\$ 1,958.0	\$ 1,923.6

Credit Agreement

The Company had \$57.0 million of outstanding borrowings on the Revolving Credit Facility, leaving \$143.0 million available for borrowings as of September 30, 2020. The Credit Agreement expires in October 2022.

Accounts Receivable Securitization Facility

As of September 30, 2020, the Company had \$179.5 million in borrowings and \$12.4 million of letters of credit outstanding under the accounts receivable securitization facility ("Receivables Facility"), leaving \$8.1 million remaining availability on the total borrowing capacity of \$200.0 million. In the second quarter of 2020, the Company executed amendments to its Receivables Facility, which replaced, amended and added certain provisions and definitions to decrease the credit availability and renew the facility, which is subject to renewal every 364 days, until May 2021, and extend the facility's termination date to May 2023. The maximum borrowing limit for loans and letters of credit under the Receivables Facility was reduced from \$225.0 million to \$200.0 million in the aggregate. The available borrowing capacity is calculated monthly based on the quantity and quality of outstanding accounts receivable, and thus may be lower than the maximum borrowing limit. The amendments also added provisions for a successor to LIBOR in the event LIBOR is no longer applicable and made technical changes to account for the continued integration of the Company's Hawaiian Telcom and OnX acquisitions into the facility. In addition, a provision was added that the LIBOR rate for the Receivables Facility may not fall below 0.75%.

Under the Receivables Facility, certain U.S. and Canadian subsidiaries, as originators, sell their respective trade receivables on a continuous basis to Cincinnati Bell Funding LLC ("CBF") or Cincinnati Bell Funding Canada Ltd. ("CBFC"), wholly-owned consolidated subsidiaries of the Company. Although CBF and CBFC are wholly-owned consolidated subsidiaries of the Company, CBF and CBFC are legally separate from the Company and each of the Company's other subsidiaries. Upon and after the sale or contribution of the accounts receivable to CBF or CBFC, such accounts receivable are legally assets of CBF and CBFC and, as such, are not available to creditors of other subsidiaries or the parent company. The Receivables Facility includes an option for CBF to sell, rather than borrow against, certain receivables on a non-recourse basis. As of September 30, 2020, there was no outstanding balance for accounts receivable sold.

7. Leases

Lessee Disclosures

The Company primarily leases real estate for offices, retail stores and central offices, as well as equipment, cell towers and fleet vehicles. Upon adoption of ASC 842, the Company elected not to recognize leases with terms of one-year or less on the balance sheet.

Supplemental balance sheet information related to the Company's leases is as follows:

(dollars in millions)	Balance Sheet Location	September 30, 2020	December 31, 2019
Operating lease assets, net of amortization	Operating lease right-of-use assets	\$ 34.1	\$ 35.8
Finance lease assets, net of amortization	Property, plant and equipment, net	25.8	33.2
Operating lease liabilities:			
Current operating lease liabilities	Other current liabilities	9.2	10.9
Noncurrent operating lease liabilities	Operating lease liabilities	30.9	32.1
Total operating lease liabilities		<u>40.1</u>	<u>43.0</u>
Finance lease liabilities:			
Current finance lease liabilities	Current portion of long-term debt	13.6	14.3
Noncurrent finance lease liabilities	Long-term debt, less current portion	50.3	59.5
Total finance lease liabilities		<u>\$ 63.9</u>	<u>\$ 73.8</u>

Supplemental cash flow information related to leases is as follows:

(dollars in millions)	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Supplemental Cash Flows Information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 3.3	\$ 3.9
Operating cash flows from operating leases	\$ 9.5	\$ 8.3
Financing cash flows from finance leases	\$ 13.9	\$ 8.2
Right-of-use assets obtained in exchange for lease obligations:		
New operating leases	\$ 6.8	\$ 5.1
New finance leases	\$ 4.0	\$ 13.4

8. Financial Instruments and Fair Value Measurements

Fair Value Measurements

The Company defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. To increase consistency and comparability in fair value measurements, the Company uses a three-level hierarchy that prioritizes the use of observable inputs. The three levels are:

Level 1 — Quoted market prices for identical instruments in an active market;

Level 2 — 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 management'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 our own data.

The determination of where an asset or liability falls in the hierarchy requires significant judgment.

Interest Rate Swaps

The Company uses interest rate swap agreements to minimize its exposure to interest rate fluctuations on variable rate debt borrowings. Interest rate swaps involve the exchange of fixed and variable rate interest payments and do not represent an actual exchange of the underlying notional amounts between parties.

In the second quarter of 2018, the Company entered into one forward starting non-amortizing interest rate swap with a notional amount of \$300.0 million to convert variable rate debt to fixed rate debt. The interest rate swap became effective in June 2018 and expires in June 2023. The interest rate swap results in interest payments based on an average fixed rate of 2.938% plus the applicable margin per the requirements in the Credit Agreement.

In the first quarter of 2019, the Company entered into three forward starting non-amortizing interest rate swaps, with a notional amount of \$89.0 million each, to convert variable rate debt to fixed rate debt. The interest rate swaps became effective in March 2019 and expire in March 2024. The interest rate swaps result in interest payments based on an average fixed rate per swap of 2.275%, 2.244% and 2.328% plus the applicable margin per the requirements in the Credit Agreement.

During the next twelve months, the Company estimates that \$9.3 million will be reclassified as an increase to interest expense.

The fair value of the Company's interest rate swaps are impacted by the credit risk of both the Company and its counterparties. The Company has agreements with its derivative financial instrument counterparties that contain provisions providing that if the Company defaults on the indebtedness associated with its derivative financial instruments, then the Company could also be declared in default on its derivative financial instruments obligations. In addition, the Company minimizes nonperformance risk on its derivative instruments by evaluating the creditworthiness of its counterparties, which are limited to major banks and financial institutions.

Upon inception, the interest rate swaps were designated as cash flow hedges under ASC 815, with gains and losses, net of tax, measured on an ongoing basis recorded in accumulated other comprehensive loss. The fair value of the interest rate swaps are categorized as Level 2 in the fair value hierarchy as they are based on well-recognized financial principles and available market data.

As of September 30, 2020, the fair value of the interest rate swap liability was \$27.6 million and is recorded in the Condensed Consolidated Balance Sheets as follows:

(dollars in millions)	Balance Sheet Location	September 30, 2020	Quoted Prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
Liabilities:					
Interest Rate Swap	Other current liabilities	\$ 9.3	\$ —	\$ 9.3	\$ —
Interest Rate Swap	Other noncurrent liabilities	\$ 18.3	\$ —	\$ 18.3	\$ —

As of December 31, 2019, the fair value of the interest rate swap liability was \$19.0 million and is recorded in the Condensed Consolidated Balance Sheets as follows:

(dollars in millions)	Balance Sheet Location	December 31, 2019	Quoted Prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
Liabilities:					
Interest Rate Swap	Other current liabilities	\$ 5.7	\$ —	\$ 5.7	\$ —
Interest Rate Swap	Other noncurrent liabilities	\$ 13.3	\$ —	\$ 13.3	\$ —

The amount of gains (losses) recognized in Accumulated Other Comprehensive Income ("AOCI") net of reclassifications into earnings is as follows:

(dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Interest Rate Swap	\$ 1.7	\$ (3.3)	\$ (8.6)	\$ (17.0)

The amount of losses reclassified from AOCI into earnings is as follows:

(dollars in millions)	Statement of Operations Location	Three Months Ended September 30,		Nine Months Ended September 30,	
		2020	2019	2020	2019
Interest Rate Swap	Interest expense	\$ (2.3)	\$ (0.6)	\$ (6.0)	\$ (1.1)

Disclosure on Financial Instruments

The carrying values of the Company's financial instruments approximate the estimated fair values as of September 30, 2020 and December 31, 2019, except for the Company's long-term debt and other installment financing arrangements. The carrying and fair values of these items are as follows:

(dollars in millions)	September 30, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including current portion*	\$ 1,910.8	\$ 1,945.4	\$ 1,867.5	\$ 1,921.5
Other installment financing arrangements	42.2	52.4	43.5	55.5

* Excludes finance leases, other financing arrangements and note issuance costs.

The fair value of our long-term debt was based on closing or estimated market prices of the Company's debt at September 30, 2020 and December 31, 2019, which is considered Level 2 of the fair value hierarchy. The fair value of the other installment financing arrangements was calculated using a discounted cash flow model that incorporates current borrowing rates for obligations of similar duration, which is considered Level 3 of the fair value hierarchy. As of September 30, 2020, the current borrowing rate was estimated by applying the Company's credit spread to the risk-free rate for a similar duration borrowing.

9. Pension and Postretirement Plans

As of September 30, 2020, the Company sponsors three noncontributory defined benefit plans and a postretirement health and life insurance plan in Cincinnati (collectively the "Cincinnati Plans"), and one noncontributory defined benefit plan for union employees, one cash balance pension plan for nonunion employees, and two postretirement health and life insurance plans for Hawaiian Telcom employees (collectively the "Hawaii Plans").

In the three and nine months ended September 30, 2020, Hawaiian Telcom's defined benefit plans made lump sum payments of \$3.4 million and \$10.8 million, respectively, resulting in a reduction of the benefit obligation of \$10.8 million. The Company recorded a pension settlement cost of \$1.1 million in the nine months ended September 30, 2020 as a result of the lump sum payments to the plan participants exceeding the sum of the service cost and the interest cost component of the net pension cost.

In accordance with ASC 715, only the service cost component of net benefit cost is eligible for capitalization, which was immaterial for the three and nine months ended September 30, 2020 and 2019.

For the three and nine months ended September 30, 2020 and 2019, pension and postretirement costs (benefits) were as follows:

(dollars in millions)	Three Months Ended September 30,			
	2020		2019	
	2020		2019	
	Pension Benefits		Postretirement and Other Benefits	
Service cost	\$ —	\$ —	\$ 0.1	\$ 0.2
Other components of pension and postretirement benefit plans expense:				
Interest cost on projected benefit obligation	4.6	5.9	0.9	1.3
Expected return on plan assets	(7.1)	(7.7)	—	—
Amortization of:				
Prior service benefit	—	—	(0.6)	(0.6)
Actuarial loss	4.5	3.5	0.3	0.4
Pension / postretirement costs	\$ 2.0	\$ 1.7	\$ 0.7	\$ 1.3

(dollars in millions)	Nine Months Ended September 30,			
	2020		2019	
	Pension Benefits		Postretirement and Other Benefits	
Service cost	\$	—	\$	—
Other components of pension and postretirement benefit plans expense:				
Interest cost on projected benefit obligation		14.2		17.9
Expected return on plan assets		(21.6)		(23.0)
Amortization of:				
Prior service benefit		—		—
Actuarial loss		13.5		10.3
Pension settlement charges		1.1		—
Pension / postretirement costs	\$	7.2	\$	5.2
	\$	0.3	\$	0.5

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

Based on current assumptions, contributions are expected to be approximately \$5 million and \$3 million to the qualified and non-qualified plans in 2020, respectively. Management expects to make cash payments of approximately \$8 million related to its postretirement health plans in 2020.

For the nine months ended September 30, 2020, contributions to the pension plans were \$4.8 million and contributions to the postretirement plans were \$4.3 million. For the nine months ended September 30, 2019, contributions to the pension plans were \$4.4 million and contributions to the postretirement plans were \$4.6 million.

10. Restructuring and Severance

Liabilities have been established for employee separations and lease abandonment. A summary of activity in the restructuring and severance liability is shown below:

(dollars in millions)	Employee Separation	Lease Abandonment	Total
Balance as of December 31, 2019	\$ 2.6	\$ 0.3	\$ 2.9
Charges	15.2	—	15.2
Utilizations	(8.2)	(0.1)	(8.3)
Balance as of March 31, 2020	9.6	0.2	9.8
Charges	0.4	—	0.4
Utilizations	(3.4)	(0.1)	(3.5)
Balance as of June 30, 2020	6.6	0.1	6.7
Charges	0.8	—	0.8
Utilizations	(2.4)	(0.1)	(2.5)
Balance as of September 30, 2020	\$ 5.0	\$ —	\$ 5.0

Restructuring and severance charges recorded in each of the first three quarters of 2020 in the IT Services and Hardware segment are associated with initiatives to reduce and contain costs. In the first quarter of 2020, the Company finalized a voluntary severance program in Cincinnati and Hawaii for certain bargained and management employees in an effort to continue to reduce costs associated with our copper field and network operations. As a result, a severance charge of \$14.5 million was recorded in the Entertainment and Communications segment.

Lease abandonment costs represent future minimum lease obligations, net of expected sublease income, for abandoned facilities. Lease payments on abandoned facilities were completed in the third quarter of 2020.

A summary of restructuring activity by business segment is presented below:

(dollars in millions)	Entertainment and Communications	IT Services and Hardware	Corporate	Total
Balance as of December 31, 2019	\$ 2.4	\$ 0.5	\$ —	\$ 2.9
Charges	14.8	0.4	—	15.2
Utilizations	(7.6)	(0.7)	—	(8.3)
Balance as of March 31, 2020	9.6	0.2	—	9.8
Charges	—	0.3	0.1	0.4
Utilizations	(3.1)	(0.4)	—	(3.5)
Balance as of June 30, 2020	6.5	0.1	0.1	6.7
Charges	—	0.8	—	0.8
Utilizations	(1.6)	(0.9)	—	(2.5)
Balance as of September 30, 2020	<u>\$ 4.9</u>	<u>\$ —</u>	<u>\$ 0.1</u>	<u>\$ 5.0</u>

At September 30, 2020 and December 31, 2019, \$5.0 million and \$2.9 million, respectively, of the restructuring liabilities were included in “Other current liabilities” in the Condensed Consolidated Balance Sheets.

11. Shareowners' Deficit

Accumulated Other Comprehensive Loss

For the three and nine months ended September 30, 2020 and 2019, the changes in accumulated other comprehensive loss by component were as follows:

(dollars in millions)	Unrecognized Net Periodic Pension and Postretirement Benefit Cost	Unrealized Loss on Cash Flow Hedges, Net	Foreign Currency Translation Loss	Total
Balance as of June 30, 2020	\$ (159.4)	\$ (22.7)	\$ (7.5)	\$ (189.6)
Remeasurement of benefit obligations	3.2	—	—	3.2
Reclassifications, net	3.2 (a)	1.8 (b)	—	5.0
Unrealized loss on cash flow hedges arising during the period, net	—	(0.5) (c)	—	(0.5)
Foreign currency gain	—	—	2.0	2.0
Balance as of September 30, 2020	<u>\$ (153.0)</u>	<u>\$ (21.4)</u>	<u>\$ (5.5)</u>	<u>\$ (179.9)</u>
Balance as of June 30, 2019	\$ (159.4)	\$ (14.4)	\$ (4.0)	\$ (177.8)
Reclassifications, net	2.5 (a)	0.4 (b)	—	2.9
Unrealized loss on cash flow hedges arising during the period, net	—	(3.0) (c)	—	(3.0)
Foreign currency loss	—	—	(1.0)	(1.0)
Balance as of September 30, 2019	<u>\$ (156.9)</u>	<u>\$ (17.0)</u>	<u>\$ (5.0)</u>	<u>\$ (178.9)</u>

(dollars in millions)	Unrecognized Net Periodic Pension and Postretirement Benefit Cost	Unrealized Loss on Cash Flow Hedges, Net	Foreign Currency Translation Loss	Total
Balance as of December 31, 2019	\$ (152.0)	\$ (14.7)	\$ (3.4)	\$ (170.1)
Remeasurement of benefit obligations	(11.5)	—	—	(11.5)
Reclassifications, net	10.5 (a)	4.6 (b)	—	15.1
Unrealized loss on cash flow hedges arising during the period, net	—	(11.3) (c)	—	(11.3)
Foreign currency loss	—	—	(2.1)	(2.1)
Balance as of September 30, 2020	<u>\$ (153.0)</u>	<u>\$ (21.4)</u>	<u>\$ (5.5)</u>	<u>\$ (179.9)</u>
Balance as of December 31, 2018	\$ (164.5)	\$ (3.9)	\$ (7.1)	\$ (175.5)
Remeasurement of benefit obligations	0.1	—	—	0.1
Reclassifications, net	7.5 (a)	0.8 (b)	—	8.3
Unrealized loss on cash flow hedges arising during the period, net	—	(13.9) (c)	—	(13.9)
Foreign currency gain	—	—	2.1	2.1
Balance as of September 30, 2019	<u>\$ (156.9)</u>	<u>\$ (17.0)</u>	<u>\$ (5.0)</u>	<u>\$ (178.9)</u>

- (a) These reclassifications are included in the other components of net periodic pension and postretirement benefit plans expense and represent amortization of prior service benefit and actuarial loss, net of tax and pension settlement charges, net of tax. The other components of net periodic pension and postretirement benefit plans expense are recorded in "Other components of pension and postretirement benefit plans expense" on the Condensed Consolidated Statements of Operations. See Note 9 for further disclosures.
- (b) These reclassifications are reported within "Interest expense" on the Condensed Consolidated Statements of Operations when the hedged transactions impact earnings.
- (c) The unrealized loss, net on cash flow hedges represents the change in the fair value of the derivative instruments that occurred during the period, net of tax. The unrealized loss on cash flow hedges is recorded in "Other current liabilities" and "Other noncurrent liabilities" on the Condensed Consolidated Balance Sheets. See Note 8 for further disclosures.

12. Business Segment Information

The Company's segments are strategic business units that offer distinct products and services and are aligned with the Company's internal management structure and reporting. The Company operates two business segments identified as Entertainment and Communications and IT Services and Hardware.

The Entertainment and Communications segment provides products and services that can be categorized as Data, Video, Voice or Other. Data products include high-speed internet access, digital subscriber lines, ethernet, SONET, dedicated internet access, wavelength, digital signal and IRU. Video services provide our customers access to over 400 entertainment channels, over 150 high-definition channels, parental controls, HD DVR, Video On-Demand and access to a live TV streaming application. Voice represents traditional voice lines as well as fiber voice lines, consumer long distance, switched access and digital trunking. Other services consist of revenue generated from wiring projects for enterprise customers, advertising, directory assistance, maintenance and information services.

The IT Services and Hardware segment provides end-to-end solutions from consulting to implementation to ongoing optimization. These solutions include Cloud, Communications and Consulting services along with the sale, installation and maintenance of major branded Telecom and IT hardware reported as Infrastructure Solutions.

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

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

(dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue				
Entertainment and Communications	\$ 241.0	\$ 248.5	\$ 724.5	\$ 749.3
IT Services and Hardware	155.2	140.5	444.5	417.0
Intersegment	(6.7)	(6.5)	(19.5)	(20.0)
Total revenue	<u>\$ 389.5</u>	<u>\$ 382.5</u>	<u>\$ 1,149.5</u>	<u>\$ 1,146.3</u>
Intersegment revenue				
Entertainment and Communications	\$ 4.9	\$ 5.3	\$ 14.8	\$ 16.5
IT Services and Hardware	1.8	1.2	4.7	3.5
Total intersegment revenue	<u>\$ 6.7</u>	<u>\$ 6.5</u>	<u>\$ 19.5</u>	<u>\$ 20.0</u>
Operating income (loss)				
Entertainment and Communications	\$ 27.2	\$ 27.7	\$ 69.8	\$ 81.2
IT Services and Hardware	4.6	0.6	11.5	(5.1)
Corporate	(7.1)	(5.5)	(49.1)	(18.3)
Total operating income	<u>\$ 24.7</u>	<u>\$ 22.8</u>	<u>\$ 32.2</u>	<u>\$ 57.8</u>
Expenditures for long-lived assets *				
Entertainment and Communications	\$ 57.6	\$ 51.3	\$ 144.2	\$ 150.3
IT Services and Hardware	3.9	5.4	16.7	16.9
Corporate	—	—	—	0.1
Total expenditures for long-lived assets	<u>\$ 61.5</u>	<u>\$ 56.7</u>	<u>\$ 160.9</u>	<u>\$ 167.3</u>
Depreciation and amortization				
Entertainment and Communications	\$ 61.6	\$ 64.4	\$ 190.0	\$ 190.5
IT Services and Hardware	10.2	11.1	30.7	38.5
Corporate	0.1	—	0.1	0.1
Total depreciation and amortization	<u>\$ 71.9</u>	<u>\$ 75.5</u>	<u>\$ 220.8</u>	<u>\$ 229.1</u>

*Includes deposit for the purchase of wireless licenses

(dollars in millions)	September 30, 2020	December 31, 2019
Assets		
Entertainment and Communications	\$ 1,788.0	\$ 1,840.0
IT Services and Hardware	447.5	500.7
Corporate and eliminations	328.3	313.1
Total assets	<u>\$ 2,563.8</u>	<u>\$ 2,653.8</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement Concerning Forward-Looking Statements

This Quarterly Report on Form 10-Q 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. These statements are based on current expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as “expects,” “anticipates,” “predicts,” “projects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “continues,” “endeavors,” “strives,” “may,” “will,” “proposes,” “potential,” “could,” “should,” “outlook” or variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of future financial performance, anticipated growth and trends in businesses, and other characterizations of future events or circumstances, including but not limited to, the possible impacts of the current adverse economic conditions associated with the COVID-19 global health pandemic, are forward-looking statements. Readers are cautioned these forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties, which could cause actual results to differ materially and adversely from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this Quarterly Report on Form 10-Q and, in particular, the risks discussed under the caption “Risk Factors” in Part II, Item 1A, and those discussed in other documents that the Company has filed with the Securities and Exchange Commission (“SEC”). Actual results may differ materially and adversely from those expressed in any forward-looking statements. The Company undertakes no obligation to revise or update any forward-looking statements for any reason.

Introduction

This Management's Discussion and Analysis section provides an overview of Cincinnati Bell Inc.'s financial condition as of September 30, 2020 and the results of operations for the three and nine months ended September 30, 2020 and 2019. This discussion should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and accompanying notes as well as the Company's Annual Report on Form 10-K for the year ended December 31, 2019. Results for interim periods may not be indicative of results for the full year or any other interim period.

Pending Acquisition by MIP

On December 21, 2019, the Company entered into an Agreement and Plan of Merger (as amended from time to time, the “Brookfield Merger Agreement”) with affiliates of the Brookfield Infrastructure Group (“Brookfield”), the infrastructure investment division of Brookfield Asset Management, which was subsequently amended. Pursuant to the amended Brookfield Merger Agreement, the Company would be acquired by an affiliate of Brookfield for \$14.50 per Common Share.

On March 13, 2020, the Company terminated the Brookfield Merger Agreement and entered into an Agreement and Plan of Merger (the “MIP Merger Agreement”) pursuant to which the Company will be acquired by an affiliate of Macquarie Infrastructure Partners V (“MIP”), a fund managed by Macquarie Infrastructure and Real Assets (the “MIP Merger”). At the effective time of the MIP Merger (the “Effective Time”), each of our issued and outstanding Common Shares will be converted into the right to receive \$15.50 in cash per Common Share, without interest, and the 6 3/4% Cumulative Convertible Preferred Shares will remain issued and outstanding as 6 3/4% Cumulative Convertible Preferred Shares of the Company, without par value, following the Effective Time.

In connection with the termination of the Brookfield Merger Agreement, the Company paid an affiliate of Brookfield a termination fee of \$24.8 million in the first quarter of 2020 as required by the terms of the Brookfield Merger Agreement.

The consummation of the MIP Merger is subject to customary closing conditions, including (i) the adoption of the MIP Merger Agreement by the affirmative vote of the holders of at least two-thirds of all outstanding Common Shares and 6 3/4% Cumulative Convertible Preferred Shares, voting as a single class; (ii) the expiration or early termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, (iii) the receipt of any required consents or approvals from (a) the Committee on Foreign Investment in the United States, (b) the Federal Communications Commission, (c) state public service and state public utility commissions and (d) local regulators in connection with the provision of telecommunications and media services; and (iv) the absence of any legal restraint preventing the consummation of the MIP Merger. On May 7, 2020, the shareholders of the Company adopted the MIP Merger Agreement at a virtual special meeting of shareholders.

The MIP Merger Agreement contains representations and warranties and covenants of the parties customary for a transaction of this nature.

The MIP Merger is expected to close in the first half of 2021, although there can be no assurance that the MIP Merger will occur by that date. Upon the closing of the MIP Merger, the Company will cease to be a publicly traded company.

Executive Summary

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

Cincinnati Bell Inc. and its consolidated subsidiaries ("Cincinnati Bell," "we," "our," "us" or the "Company") provide integrated communications and IT solutions that keep consumer and enterprise customers connected with each other and with the world. Through its Entertainment and Communications segment, the Company provides Data, Video, and Voice solutions to consumer and enterprise customers over an expanding fiber network and a legacy copper network. In addition, enterprise customers across the United States, Canada and Europe rely on the IT Services and Hardware segment for the sale and service of efficient, end-to-end communications and IT systems and solutions.

Consolidated revenue totaling \$389.5 million and \$1,149.5 million for the three and nine months ended September 30, 2020 increased \$7.0 million and \$3.2 million, respectively, compared to the same periods in 2019 as growth in the IT Services and Hardware segment more than offset declines in the Entertainment and Communications segment. Entertainment and Communications Legacy revenue decreased \$10.4 million and \$29.2 million, respectively, for the three and nine months ended September 30, 2020 compared to similar periods in the prior year. Decline in Video revenue due to fewer video subscribers and lower nonrecurring revenue due to participation in the Keep Americans Connected pledge ("Pledge") also contributed to the decline year over year in each of the comparable periods. IT Services and Hardware increased by \$14.1 million and \$26.3 million for the three and nine months ended September 30, 2020, respectively, compared to the same periods in the prior year. In the three months ended September 30, 2020, IT Services and Hardware experienced revenue growth in all practices with the exception of Cloud revenue. In the nine months ended September 30, 2020, revenue growth in the Consulting and Communications practices more than offset decreased revenue contributed by the Cloud and Infrastructure Solutions practices. Cloud revenue declined in the nine months ended September 30, 2020 compared to the prior year due to General Electric Company ("GE") revenue related to certain programs still included in the first quarter of 2019 that did not recur in 2020.

Operating income was \$24.7 million for the three months ended September 30, 2020, up \$1.9 million compared to the same period in the prior year. The increase in operating income was primarily due to lower selling, general and administrative and depreciation and amortization costs incurred in the third quarter of 2020 compared to the same period in 2019. The decrease in selling, general and administrative costs is a result of cost containment strategies taken to reduce the negative impact of the COVID-19 pandemic on the business. These strategies more than offset incremental expense of \$5.7 million recorded in the third quarter to reward employees for their efforts during COVID-19 that is impacting cost of services and products and selling, general and administrative expense for the three and nine months ended September 30, 2020. Lower depreciation and amortization expense is primarily due to a decrease in assets placed in service during 2020 in connection with the expansion of our fiber network. Operating income was \$32.2 million for the nine months ended September 30, 2020, down \$25.6 million compared to the same period in 2019. The decrease in operating income was primarily due to higher transaction and integration charges, including the termination fee of \$24.8 million paid to an affiliate of Brookfield in the first quarter of 2020, as well as restructuring and severance related charges related to the voluntary severance program ("VSP") finalized in the three months ended March 31, 2020.

Loss before income taxes totaled \$11.1 million for the three months ended September 30, 2020, resulting in a decrease in the loss as compared to the comparable period in 2019 primarily due to the increase in operating income and a decrease in interest expense. Loss before income taxes totaled \$76.2 million for the nine months ended September 30, 2020, higher than the prior year due to the factors impacting operating income.

Impact of COVID-19 on Our Business

The COVID-19 pandemic has resulted, and is likely to continue to result, in significant economic disruption and has adversely affected, and will likely continue to adversely affect, our business. As of the date of this filing, significant uncertainty continues to exist concerning the magnitude of the impact and duration of the COVID-19 pandemic. While certain parts of the country have eased stay-at-home orders, the current rise in cases may result in restrictions being reinstated. On March 13, 2020, in response to the COVID-19 pandemic, the Federal Communications Commission ("FCC") called on broadband and telephone service providers to keep Americans connected as the country reacts to the serious disruptions caused by the coronavirus outbreak. Cincinnati Bell, on behalf of all of its affiliates, including Hawaiian Telecom, signed on to the Pledge and committed to waive late fees for, and not terminate service to, any of our consumer or small business customers who did not pay their bills timely due to an inability to pay caused by the COVID-19 crisis. The Pledge expired on June 30, 2020, and the Company started to collect late payment fees and reactivation fees starting in August 2020. In accordance with regulatory orders in Hawaii, the Pledge continues to be honored for certain regulated services. The Company proactively worked with customers in an effort to avoid deactivations, but not all accounts could be cured and approximately 3,300 customer accounts in the Cincinnati market were disconnected in the third quarter.

In response to the number of households that must provide remote schooling either full or part-time as a result of the COVID-19 pandemic, the Company partnered with several community organizations to provide free internet to qualifying students through the "Connect our Students" program. As of September 30, 2020, the Company has delivered internet to approximately 4,300 households.

The majority of our operations have continued as usual as the services that we provide and the networks that we maintain are considered critical by local and state authorities in the geographies in which we operate. The Company started executing its business continuity plan in March and transitioned employees who could execute their work remotely to work from home with little disruption and has implemented additional safety protocols for customer facing employees. In states in which employees are allowed to return to the office, the Company has implemented updated safety policies to ensure the safety of our employees and customers. As of September 30, 2020, a significant portion of our workforce continues to work from home.

With respect to liquidity, we continue to evaluate and take actions to reduce costs and spending across our organization. This includes reducing hiring activities, adjusting pay programs, limiting discretionary spending, significantly reducing non-essential travel until further notice and re-evaluating the timing of capital projects. Additionally, we have leveraged certain benefits included in the U.S. Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) that was enacted on March 27, 2020, including deferral of 2020 required pension plan contributions to the fourth quarter of 2020 and deferral of employer social security tax payments for wage payments subsequent to March 12, 2020 of approximately \$5 million each quarter for the remainder of 2020 to be paid equally in the fourth quarters of 2021 and 2022.

We expect the ultimate significance of the impact on our financial condition, results of operations, or cash flows will be dictated by the length of time that such circumstances continue, which will depend on the currently unknowable extent and duration of the COVID-19 pandemic. COVID-19 also makes it more challenging for management to estimate future performance of our businesses, particularly over the near term. We will continue to actively monitor the situation and may take further actions that alter our business operations as may be required by federal, state or local authorities or that we determine are in the best interests of our employees, customers, suppliers and shareholders. The programs put in place and efforts by employees to manage and reduce expenses have more than offset the negative impacts caused by COVID-19 in the second and third quarters of 2020 due to revenue loss and incremental spend for personal protective equipment, employee compensation programs and bad debt expense. To reward employees for their continued efforts during COVID-19, a one-time bonus was recorded in the third quarter of \$5.7 million that will be paid in the fourth quarter. While we are unable to determine or predict the nature, duration or scope of the overall impact the COVID-19 pandemic will have on our business, results of operations, liquidity or capital resources, we believe that it is important to share where our Company stands today, how our response to COVID-19 is progressing and how our operations and financial condition may change as the fight against COVID-19 progresses.

Consolidated Results of Operations

Revenue

(dollars in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	\$ Change	% Change	2020	2019	\$ Change	% Change
Revenue								
Entertainment and Communications	\$ 236.1	\$ 243.2	\$ (7.1)	(3)%	\$ 709.7	\$ 732.8	\$ (23.1)	(3)%
IT Services and Hardware	153.4	139.3	14.1	10%	439.8	413.5	26.3	6%
Total revenue	<u>\$ 389.5</u>	<u>\$ 382.5</u>	<u>\$ 7.0</u>	2%	<u>\$ 1,149.5</u>	<u>\$ 1,146.3</u>	<u>\$ 3.2</u>	0%

Entertainment and Communications revenue decreased for the three and nine months ended September 30, 2020 compared to the same periods in 2019 primarily due to the decline in Legacy revenue. In addition to Legacy revenue decline, Video revenue declined in each of the comparable periods due to 7,000 fewer subscribers in Cincinnati and 3,000 fewer subscribers in Hawaii as well as decline of certain nonrecurring revenue as a result of the Company suspending late payment fees and reactivation fees as part of the Pledge.

IT Services and Hardware revenue increased for the three and nine months ended September 30, 2020 compared to similar periods in the prior year primarily due to revenue growth in the Consulting and Communications practices. In addition, Infrastructure Solutions revenue increased in the three months ended September 30, 2020 compared to the same period in the prior year primarily due to additional projects generating revenue growth from existing customers. Cloud revenue declined in the nine months ended September 30, 2020 compared to the same period in 2019 due to lower revenue resulting from GE insourcing certain cloud services. Lower Infrastructure Solutions revenue was recorded in the nine months ended September 30, 2020 due to a decline in hardware sales partially due to the impacts of COVID-19 and customers migrating to managed services.

Operating Costs

(dollars in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	\$ Change	% Change	2020	2019	\$ Change	% Change
Cost of services and products								
Entertainment and Communications	\$ 105.8	\$ 110.2	\$ (4.4)	(4)%	\$ 314.7	\$ 334.8	\$ (20.1)	(6)%
IT Services and Hardware	98.1	84.5	13.6	16%	276.3	253.1	23.2	9%
Total cost of services and products	<u>\$ 203.9</u>	<u>\$ 194.7</u>	<u>\$ 9.2</u>	5%	<u>\$ 591.0</u>	<u>\$ 587.9</u>	<u>\$ 3.1</u>	1%

Entertainment and Communications costs decreased for the three months ended September 30, 2020 compared to the same period in the prior year due to lower video content costs and operating taxes. Lower operating taxes are due to decreases in regulatory fees and general excise tax. IT Services and Hardware costs increased for the three months ended September 30, 2020 compared to the same period in 2019 primarily due to increases in payroll related costs and contractor costs as a result of additional headcount to support the growth in the Communications and Consulting practices. Higher software licensing costs were also incurred to support the revenue growth in the Communications practice.

Entertainment and Communications costs decreased for the nine months ended September 30, 2020 due to lower payroll related costs, video content costs and operating taxes. Lower payroll related costs are due to headcount reductions made during restructuring initiatives that were executed in the first quarter of 2020 and throughout 2019. In addition to restructuring initiatives, payroll related costs declined due to lower expense for workers compensation benefits in the nine months ended September 30, 2020. Lower operating taxes are due to the release of a sales and use tax reserve in the nine months ended September 30, 2020 of \$4.2 million due to favorable audit results in addition to a decrease in general excise tax. IT Services and Hardware costs increased for the nine months ended September 30, 2020 compared to the same period in the prior year due to the same trends that impacted the quarter as well as increased regulatory fees.

(dollars in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	\$ Change	% Change	2020	2019	\$ Change	% Change
Selling, general and administrative								
Entertainment and Communications	\$ 44.4	\$ 44.2	\$ 0.2	0%	\$ 130.2	\$ 133.9	\$ (3.7)	(3)%
IT Services and Hardware	36.7	38.5	(1.8)	(5)%	110.0	113.0	(3.0)	(3)%
Corporate	4.9	5.3	(0.4)	(8)%	15.1	14.4	0.7	5%
Total selling, general and administrative	<u>\$ 86.0</u>	<u>\$ 88.0</u>	<u>\$ (2.0)</u>	(2)%	<u>\$ 255.3</u>	<u>\$ 261.3</u>	<u>\$ (6.0)</u>	(2)%

Entertainment and Communications SG&A costs increased in the three months ended September 30, 2020 compared to the same period in the prior year as cost containment strategies taken in 2020 to reduce the negative impact of the COVID-19 pandemic on the business were offset by an increase in contract services due to higher insurance costs and incremental bonus expense for a one-time award recorded in the three months ended September 30, 2020. IT Services and Hardware and Corporate SG&A costs decreased in the three months ended September 30, 2020 compared to the prior year primarily due to cost containment strategies taken due to the COVID-19 pandemic more than offsetting the expense recorded for the one-time award.

SG&A costs decreased in both segments in the nine months ended September 30, 2020 compared to the same period in the prior year primarily due to cost containment strategies taken in 2020 to reduce the negative impact of the COVID-19 pandemic on the business. Decreases in both segments were partially offset by an increase in bad debt expense due to updating our estimate of the impact of the economic downturn associated with the COVID-19 pandemic on the Company's receivables and incremental bonus expense recorded in the third quarter. The decrease in Entertainment and Communications SG&A costs was also partially offset by an increase in contract services due to higher insurance costs. Corporate SG&A costs increased in the nine months ended September 30, 2020 compared to the comparable period in 2019 primarily due to the Company no longer qualifying for a payroll tax benefit that was received in 2019.

(dollars in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	\$ Change	% Change	2020	2019	\$ Change	% Change
Depreciation and amortization expense								
Entertainment and Communications	\$ 61.6	\$ 64.4	\$ (2.8)	(4)%	\$ 190.0	\$ 190.5	\$ (0.5)	0%
IT Services and Hardware	10.2	11.1	(0.9)	(8)%	30.7	38.5	(7.8)	(20)%
Corporate	0.1	—	0.1	n/m	0.1	0.1	—	0%
Total depreciation and amortization expense	<u>\$ 71.9</u>	<u>\$ 75.5</u>	<u>\$ (3.6)</u>	(5)%	<u>\$ 220.8</u>	<u>\$ 229.1</u>	<u>\$ (8.3)</u>	(4)%

Entertainment and Communications depreciation and amortization expense decreased in the three and nine months ended September 30, 2020 compared to the same periods in the prior year primarily due to a decrease in assets placed in service in connection with the expansion of our fiber network. The decrease in IT Services and Hardware depreciation and amortization expense is primarily related to accelerated depreciation for certain network assets that were determined in the first quarter of 2019 to have a shorter useful life due to a change in customer requirements and were fully depreciated as of December 31, 2019.

(dollars in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	\$ Change	% Change	2020	2019	\$ Change	% Change
Other operating costs								
Restructuring and severance related charges	\$ 0.8	\$ 1.3	\$ (0.5)	(38)%	\$ 16.4	\$ 6.4	\$ 10.0	n/m
Transaction and integration costs	2.2	0.2	2.0	n/m	33.8	3.8	30.0	n/m
Total other operating costs	<u>\$ 3.0</u>	<u>\$ 1.5</u>	<u>\$ 1.5</u>	100%	<u>\$ 50.2</u>	<u>\$ 10.2</u>	<u>\$ 40.0</u>	n/m

Restructuring and severance charges recorded in the three and nine months ended September 30, 2020 in the IT Services and Hardware segment are associated with initiatives to reduce and contain costs. Restructuring and severance charges recorded in the nine months ended September 30, 2020 in the Entertainment and Communications segment are primarily related to a VSP for certain bargained and management employees in an effort to reduce costs associated with our copper field and network operations. Restructuring and severance charges recorded in the three and nine months ended September 30, 2019 in the Entertainment and Communications segment are related to a severance program for certain management employees as the Company continued its efforts to streamline Cincinnati and Hawaii operations. Restructuring and severance charges recorded in the second and third quarters of 2019 in the IT Services and Hardware segment are associated with initiatives to reduce and contain costs as well as headcount reductions as a result of insourcing initiatives by one of our significant customers.

Transaction and integration costs incurred in 2020, recorded as a Corporate expense, are primarily due to \$24.8 million paid to an affiliate of Brookfield to terminate the Brookfield Merger Agreement in the first quarter of 2020. The Company also incurred transaction and integration costs in the three and nine months ended September 30, 2020 associated with the MIP Merger Agreement. Transaction and integration costs incurred in 2019, recorded as a Corporate expense, are primarily due to the continued integration of Hawaiian Telcom.

Non-operating Costs

(dollars in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	\$ Change	% Change	2020	2019	\$ Change	% Change
Non-operating costs								
Interest expense	\$ 33.4	\$ 35.0	\$ (1.6)	(5)%	\$ 100.6	\$ 105.0	\$ (4.4)	(4)%
Other components of pension and postretirement benefit plans expense	2.6	2.8	(0.2)	(7)%	9.0	8.4	0.6	7%
Other (income) expense, net	(0.2)	0.5	(0.7)	n/m	(1.2)	(0.4)	(0.8)	n/m
Income tax benefit	(2.9)	(1.9)	(1.0)	53%	(26.2)	(9.2)	(17.0)	n/m

Interest expense decreased for the three and nine months ended September 30, 2020 compared to the same periods in the prior year due to the decrease in LIBOR rates.

Income tax benefit increased for the three months ended September 30, 2020 compared to the same period in the prior year primarily due to the effect of interest expense limitation released in the reporting period, and unfavorable discrete adjustments recorded in the comparable period, offset in part by the decreased loss before taxes. Income tax benefit increased in the nine months ended September 30, 2020 compared to the same period in 2019 due to an increase in the loss before income taxes and several significant discrete items recorded primarily in the first quarter of 2020. During the nine months ended September 30, 2020, the Company released \$15.3 million of valuation allowances that were previously recorded on deferred tax assets related to interest expense for which the tax deduction was limited. The CARES Act contains provisions that increase the Company's ability to deduct interest expense. Discrete tax benefits were offset, in part, by the \$7.6 million tax effect of nondeductible transaction costs.

Entertainment and Communications

The Entertainment and Communications segment provides products and services that can be categorized as either Fioptics in Cincinnati or Consumer/SMB Fiber in Hawaii (collectively, "Consumer/SMB Fiber"), Enterprise Fiber or Legacy. 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 145 years. Voice and data services in the Enterprise Fiber and Legacy categories that are delivered beyond the Company's ILEC territory, particularly in Dayton and Mason, Ohio, are provided through the operations of Cincinnati Bell Extended Territories LLC ("CBET"), a subsidiary of CBT. On July 2, 2018, the Company acquired Hawaiian Telcom. Hawaiian Telcom is the ILEC for the State of Hawaii and the largest full-service provider of communications services and products in the state. Originally incorporated in Hawaii in 1883 as Mutual Telephone Company, Hawaiian Telcom has a strong heritage of over 135 years as Hawaii's communications carrier. Its services are offered on all of Hawaii's major islands, except its video service, which currently is only available on the island of Oahu.

Consumer/SMB Fiber products include high-speed internet access, voice lines and video. The Company is able to deliver speeds of up to 30 megabits or more to approximately 75% of Greater Cincinnati and up to 20 megabits or more to approximately 50% of Hawaii's total addressable market.

Enterprise Fiber products include metro-ethernet, dedicated internet access, wavelength, IRU contracts, and wireless backhaul to macro-towers and small cell. As enterprise customers migrate from legacy products and copper-based technology, our metro-ethernet product becomes the preferred method of transport due to its ability to support multiple applications on a single physical connection.

Legacy products include traditional voice lines, consumer long distance, switched access, digital trunking, DSL, DS0, DS1, DS3 and other value-added services such as caller identification, voicemail, call waiting and call return.

(dollars in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	Change	% Change	2020	2019	Change	% Change
Revenue:								
Data	\$ 119.8	\$ 119.5	\$ 0.3	0%	\$ 358.8	\$ 356.5	\$ 2.3	1%
Video	48.1	50.2	(2.1)	(4)%	145.1	153.5	(8.4)	(5)%
Voice	65.5	70.7	(5.2)	(7)%	197.6	215.4	(17.8)	(8)%
Other	7.6	8.1	(0.5)	(6)%	23.0	23.9	(0.9)	(4)%
Total Revenue	241.0	248.5	(7.5)	(3)%	724.5	749.3	(24.8)	(3)%
Operating costs and expenses:								
Cost of services and products	107.8	111.5	(3.7)	(3)%	319.7	338.8	(19.1)	(6)%
Selling, general and administrative	44.4	44.2	0.2	0%	130.2	133.9	(3.7)	(3)%
Depreciation and amortization	61.6	64.4	(2.8)	(4)%	190.0	190.5	(0.5)	0%
Restructuring and severance charges	—	0.7	(0.7)	n/m	14.8	4.9	9.9	n/m
Total operating costs and expenses	213.8	220.8	(7.0)	(3)%	654.7	668.1	(13.4)	(2)%
Operating income	\$ 27.2	\$ 27.7	\$ (0.5)	(2)%	\$ 69.8	\$ 81.2	\$ (11.4)	(14)%
Operating margin	11.3%	11.1%		0.2 pts	9.6%	10.8%		(1.2) pts
Capital expenditures	\$ 55.9	\$ 51.3	4.6	9%	\$ 142.5	\$ 150.3	(7.8)	(5)%

Entertainment and Communications, continued

Metrics information (in thousands):	September 30,			
	2020	2019	Change	% Change
<i>Cincinnati</i>				
Fioptics				
<u>Data</u>				
Internet FFTP*	235.0	214.6	20.4	10%
Internet FTTN*	27.7	32.5	(4.8)	(15)%
Total Fioptics Internet	262.7	247.1	15.6	6%
<u>Video</u>				
Video FFTP*	108.7	113.5	(4.8)	(4)%
Video FTTN*	20.8	23.0	(2.2)	(10)%
Total Fioptics Video	129.5	136.5	(7.0)	(5)%
<u>Voice</u>				
Fioptics Voice Lines	104.4	108.0	(3.6)	(3)%
<u>Fioptics Units Passed</u>				
Units passed FFTP*	494.8	482.0	12.8	3%
Units passed FTTN*	138.0	138.6	(0.6)	0%
Total Fioptics units passed	632.8	620.6	12.2	2%
Enterprise Fiber				
<u>Data</u>				
Ethernet Bandwidth (Gb)	5,978	5,006	972	19%
Legacy				
<u>Data</u>				
DSL	63.3	65.9	(2.6)	(4)%
<u>Voice</u>				
Legacy Voice Lines	180.3	202.9	(22.6)	(11)%

* Fiber-to-the-Premise (FFTP), Fiber-to-the-Node (FTTN)

Entertainment and Communications, continued

Metrics information (in thousands):	September 30,			
	2020	2019	Change	% Change
Hawaii				
Consumer / SMB Fiber				
<u>Data</u>				
Internet FFTP*	58.6	54.6	4.0	7%
Internet FTTN*	11.7	13.2	(1.5)	(11)%
Total Consumer / SMB Fiber Internet	70.3	67.8	2.5	4%
<u>Video</u>				
Video FFTP*	30.6	31.8	(1.2)	(4)%
Video FTTN*	11.4	13.2	(1.8)	(14)%
Total Consumer / SMB Fiber Video	42.0	45.0	(3.0)	(7)%
<u>Voice</u>				
Consumer / SMB Fiber Voice Lines	29.8	30.1	(0.3)	(1)%
<u>Consumer / SMB Fiber Units Passed **</u>				
Units passed FFTP*	178.1	170.6	7.5	4%
Units passed FTTN*	72.5	72.8	(0.3)	0%
Total Consumer / SMB Fiber units passed	250.6	243.4	7.2	3%
Enterprise Fiber				
<u>Data</u>				
Ethernet Bandwidth (Gb)	4,063	3,424	639	19%
Legacy				
<u>Data</u>				
DSL	38.2	44.3	(6.1)	(14)%
<u>Voice</u>				
Legacy Voice Lines	164.2	183.0	(18.8)	(10)%

* Fiber-to-the-Premise (FFTP), Fiber-to-the-Node (FTTN)

** Includes units passed for both consumer and business on Oahu and neighboring islands.

Entertainment and Communications, continued
Revenue

Three Months Ended September 30,						
	2020			2019		
	Cincinnati	Hawaii	Total	Cincinnati	Hawaii	Total
Revenue						
Consumer / SMB Fiber *						
Data	\$ 43.0	\$ 9.1	\$ 52.1	\$ 39.3	\$ 8.0	\$ 47.3
Video	38.7	9.4	48.1	39.5	10.7	50.2
Voice	8.9	2.7	11.6	9.2	2.7	11.9
Other	0.4	0.2	0.6	0.4	0.2	0.6
	91.0	21.4	112.4	88.4	21.6	110.0
Enterprise Fiber						
Data	21.4	10.6	32.0	21.6	9.9	31.5
Legacy						
Data	23.4	12.3	35.7	26.1	14.6	40.7
Voice	27.9	26.0	53.9	31.5	27.3	58.8
Other	3.1	3.9	7.0	3.2	4.3	7.5
	54.4	42.2	96.6	60.8	46.2	107.0
Total Entertainment and Communications revenue	\$ 166.8	\$ 74.2	\$ 241.0	\$ 170.8	\$ 77.7	\$ 248.5

Nine Months Ended September 30,						
	2020			2019		
	Cincinnati	Hawaii	Total	Cincinnati	Hawaii	Total
Revenue						
Consumer / SMB Fiber *						
Data	\$ 126.0	\$ 26.5	\$ 152.5	\$ 115.5	\$ 23.8	\$ 139.3
Video	116.3	28.8	145.1	120.3	33.2	153.5
Voice	25.0	8.1	33.1	27.6	8.2	35.8
Other	1.1	0.6	1.7	1.1	0.5	1.6
	268.4	64.0	332.4	264.5	65.7	330.2
Enterprise Fiber						
Data	64.3	31.0	95.3	63.8	29.3	93.1
Legacy						
Data	71.6	39.4	111.0	78.4	45.7	124.1
Voice	85.7	78.8	164.5	96.3	83.3	179.6
Other	9.3	12.0	21.3	10.2	12.1	22.3
	166.6	130.2	296.8	184.9	141.1	326.0
Total Entertainment and Communications revenue	\$ 499.3	\$ 225.2	\$ 724.5	\$ 513.2	\$ 236.1	\$ 749.3

* Represents Fioptics in Cincinnati

Entertainment and Communications, continued

Cincinnati Fioptics and Hawaii Consumer/SMB Fiber (collectively, "Consumer/SMB Fiber")

Consumer/SMB Fiber revenue increased by \$2.4 million for the three months ended September 30, 2020 compared to the same period in the prior year as the increase in the subscriber base for internet more than offset the decline in video and voice subscribers. The internet subscriber base continues to increase as we focus our attention on growing the internet FTTP subscriber base. Favorable churn in the three months ended September 30, 2020 compared to the same period in 2019 has also contributed to the increased internet subscriber base. In addition, the Average Revenue Per User ("ARPU") for the three months ended September 30, 2020 increased for internet in both Cincinnati and Hawaii by 3% and 10%, respectively, as compared to the same period in 2019. ARPU increases are related to price increases for internet.

Consumer/SMB Fiber revenue increased by \$2.2 million for the nine months ended September 30, 2020 compared to the same period in 2019 as similar trends impacting the revenue increase for the quarter also impacted the nine months ended September 30, 2020. ARPU for the nine months ended September 30, 2020 increased for internet in both Cincinnati and Hawaii by 4% and 8%, respectively, as compared to the same period in the prior year. In addition, revenue in the nine months ended September 30, 2020 was negatively impacted by a decline in non-recurring revenue due to COVID-19 and the Company's participation in the Pledge that expired on June 30, 2020.

Enterprise Fiber

Enterprise Fiber revenue increased \$0.5 million and \$2.2 million for the three and nine months ended September 30, 2020 as compared to the same periods in 2019 as a result of customers migrating from legacy product offerings to higher bandwidth fiber solutions, as evidenced by the 19% increase in Ethernet Bandwidth in both Cincinnati and Hawaii. The increase to revenue from additional customers switching to fiber solutions is partially offset by pricing pressures to provide higher speeds for a lower cost.

Legacy

Legacy revenue decreased for the three and nine months ended September 30, 2020 compared to the same periods in the prior year due to the decline in voice lines and DSL subscribers. Voice lines declined 11% and 10% in Cincinnati and Hawaii, respectively, as the traditional voice lines become less relevant. DSL subscribers decreased by 4% and 14% in Cincinnati and Hawaii, respectively, as subscribers demand the higher speeds that can be provided by fiber. In addition, declines in DS1, DS3 and digital trunking have contributed to the revenue decline for these products in 2020 compared to the same periods in the prior year as customers migrate away from these solutions to fiber-based solutions.

Operating Costs and Expenses

Cost of services and products decreased \$3.7 million for the three months ended September 30, 2020 compared to the same period in 2019 due to decreases in video content costs and operating taxes of \$1.8 million and \$1.3 million, respectively. Lower video content costs are a result of decreased subscribers. The decrease in operating taxes is due to decreases in regulatory fees and general excise tax. In addition to video content costs and operating taxes, payroll wages and taxes decreased by \$1.3 million due to reduced headcount as a result of the restructuring that took place in the first quarter of 2020 and throughout 2019. Partially offsetting this cost savings is higher bonus expense due to a one-time bonus awarded to employees for their efforts during COVID-19.

Cost of services and products decreased \$19.1 million for the nine months ended September 30, 2020 compared to the same period in the prior year due primarily to decreases in payroll related costs, video content costs and operating taxes. Payroll related costs decreased \$2.2 million for the nine months ended September 30, 2020 compared to the same period in the prior year due to reduced headcount as well as lower workers compensation benefits more than offsetting incremental bonus expense. Video content costs decreased by \$5.8 million for the nine months ended September 30, 2020 compared to the same period in 2019 as a result of decreased subscribers. Lower operating taxes are primarily due to favorable audit results that resulted in a nonrecurring benefit of \$4.2 million for the nine months ended September 30, 2020 in addition to a decrease in general excise tax.

SG&A expenses increased \$0.2 million for the three months ended September 30, 2020 compared to the same period in 2019. An increase in contract services as a result of higher insurance costs in third quarter of 2020 and increased bonus expense of \$1.9 million primarily due to a one-time employee award was partially offset by cost containment strategies taken in 2020 to reduce the negative impact of the COVID-19 pandemic on the business.

SG&A expenses decreased \$3.7 million for the nine months ended September 30, 2020 compared to the comparable period in the prior year primarily related to cost containment strategies taken in 2020 to reduce the negative impact of the COVID-19 pandemic on the business. The decrease was partially offset by increases to contract services as a result of higher insurance costs, bad debt expense due to updating our estimate of the impact of the economic downturn associated with the COVID-19 pandemic on the Company's receivables and incremental bonus expense recorded in the third quarter.

Entertainment and Communications, continued

Depreciation and amortization decreased \$2.8 million and \$0.5 million in the three and nine months ended September 30, 2020, respectively, compared to the same periods in the prior year primarily due to a decrease in assets placed in service during 2020 in connection with the expansion of our fiber network.

Restructuring and severance charges recorded in the nine months ended September 30, 2020 are primarily related to a VSP for certain bargained and management employees in an effort to continue to reduce costs associated with our copper field and network operations. Restructuring and severance charges recorded in the three and nine months ended September 30, 2019 were related to a severance program for certain management employees as the Company continued its efforts to streamline operations between Cincinnati and Hawaii.

Capital Expenditures

	Three Months Ended September 30,					
	2020			2019		
	Cincinnati	Hawaii	Total	Cincinnati	Hawaii	Total
Consumer / SMB Fiber capital expenditures *						
Construction	\$ 6.1	\$ 4.1	\$ 10.2	\$ 4.8	\$ 2.4	\$ 7.2
Installation	8.4	3.4	11.8	10.7	3.4	14.1
Other	2.4	0.2	2.6	2.9	0.8	3.7
Total Consumer / SMB Fiber	16.9	7.7	24.6	18.4	6.6	25.0
Enterprise Fiber	4.4	2.7	7.1	4.9	2.1	7.0
Other	9.8	14.4	24.2	10.4	8.9	19.3
Total Entertainment and Communications capital expenditures	\$ 31.1	\$ 24.8	\$ 55.9	\$ 33.7	\$ 17.6	\$ 51.3

	Nine Months Ended September 30,					
	2020			2019		
	Cincinnati	Hawaii	Total	Cincinnati	Hawaii	Total
Consumer / SMB Fiber capital expenditures *						
Construction	\$ 14.1	\$ 9.5	\$ 23.6	\$ 21.4	\$ 6.2	\$ 27.6
Installation	25.1	10.6	35.7	36.8	11.5	48.3
Other	6.9	0.3	7.2	7.2	2.1	9.3
Total Consumer / SMB Fiber	46.1	20.4	66.5	65.4	19.8	85.2
Enterprise Fiber	8.8	8.2	17.0	8.4	5.4	13.8
Other	26.8	32.2	59.0	24.8	26.5	51.3
Total Entertainment and Communications capital expenditures	\$ 81.7	\$ 60.8	\$ 142.5	\$ 98.6	\$ 51.7	\$ 150.3

* Represents Fioptics in Cincinnati

Capital expenditures in Cincinnati are incurred to expand our Fioptics product suite, upgrade and increase capacity for our networks, and to extend the life of our fiber and copper networks. In the third quarter of 2020, we passed an additional 5,200 FTTP addresses in Cincinnati. As of September 30, 2020, the Company is able to deliver its Fioptics services with speeds up to 30 megabits or more to approximately 632,800 residential and commercial addresses, or 75% of our operating territory in Cincinnati. Cincinnati construction capital expenditures increased \$1.3 million in the three months ended September 30, 2020 compared to the same period in the prior year primarily due to passing more addresses in the third quarter of 2020 compared to the same period in 2019. Cincinnati construction capital expenditures decreased \$7.3 million in the nine months ended September 30, 2020 compared to the comparable period in 2019 primarily due to the timing of capital expenditures, which does not necessarily coincide with the timing of when addresses become available. Cincinnati installation capital expenditures are primarily related to the timing of expenditures for customer premise equipment (“CPE”) utilized for installations. In the three and nine months ended September 30, 2020, Cincinnati installation capital expenditures decreased \$2.3 million and \$11.7 million compared to the same periods in 2019 primarily due to lower volume of CPE purchased.

Enterprise Fiber capital expenditures in Cincinnati are related to success-based fiber builds, including associated equipment, for enterprise and carrier projects to provide ethernet services as well as network refresh projects that ensure that we continue to grow our capacity and services within the network core. Other capital expenditures are related to IT projects, cable and equipment maintenance and capacity additions, real estate upgrades and maintenance, plus other minor capital purchases.

Hawaii construction capital expenditures increased \$1.7 million and \$3.3 million for the three and nine months ended September 30, 2020, respectively, compared to the same periods in the prior year due to building out 1,900 new addresses in the third quarter of 2020, primarily in rural areas and on the neighbor islands, and 4,200 new addresses in the nine months ended September 30, 2020. Hawaii installation capital expenditures decreased \$0.9 million in the nine months ended September 30, 2020 compared to the prior year primarily due to less video and high-speed internet installations. Enterprise fiber capital in Hawaii is primarily driven by new ethernet customers. Hawaii capital expenditures classified as other include IT projects, real estate projects, road jobs or plant damage projects, and network upgrades or optimization projects.

IT Services and Hardware

The IT Services and Hardware segment provides end-to-end IT solutions ranging from consulting to implementation to ongoing optimization of existing technology. These solutions include Cloud, Communications and Consulting services along with the sale and maintenance of major branded Telecom and IT hardware reported as Infrastructure Solutions. These services and products are provided through the Company's subsidiaries in various geographic areas throughout the United States, Canada and Europe. By offering a full range of equipment and strategic services in conjunction with the Company's fiber and copper networks, the IT Services and Hardware segment provides our customers personalized solutions designed to meet their business objectives.

Cloud services include the design, implementation and on-going management of the customer's infrastructure. This includes on-premise, public cloud and private cloud solutions. The Company assists customers with the risk assessment phase through an in-depth understanding of the customer's business as well as building and designing a solution, using either the customer's existing infrastructure or new cloud based options, that transforms the way that the customer does business.

Communications solutions help to transform the way our customers do business by connecting employees, customers, and business partners. By upgrading legacy technologies through customized build projects and reducing customer costs, the Company helps to transform the customer's business. These services include Unified Communications as a Service ("UCaaS"), Software-Defined Wide Area Network ("SD-WAN"), Network as a Service ("NaaS"), Contact Center and Collaboration.

Using our experience and expertise, Infrastructure Solutions are tailored to our customers' organizational goals. We offer a complete portfolio of services that provide customers with efficient and optimized IT solutions that are agile and responsive to their business and are integrated, simplified and manageable. Through consulting with customers, the Company will build a solution using standard manufacturer equipment to meet our customers' specific requirements.

Consulting services help customers assess their business and technology needs and provide the talent needed to ensure success. The Company is a premier provider of application services and IT staffing.

(dollars in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	Change	% Change	2020	2019	Change	% Change
Revenue:								
Consulting	\$ 49.4	\$ 37.6	\$ 11.8	31%	\$ 138.5	\$ 114.6	\$ 23.9	21%
Cloud	21.1	22.6	(1.5)	(7)%	63.0	69.8	(6.8)	(10)%
Communications	53.9	51.3	2.6	5%	160.3	147.0	13.3	9%
Infrastructure Solutions	30.8	29.0	1.8	6%	82.7	85.6	(2.9)	(3)%
Total revenue	155.2	140.5	14.7	10%	444.5	417.0	27.5	7%
Operating costs and expenses:								
Cost of services and products	102.7	89.4	13.3	15%	290.2	268.3	21.9	8%
Selling, general and administrative	36.9	38.8	(1.9)	(5)%	110.6	113.8	(3.2)	(3)%
Depreciation and amortization	10.2	11.1	(0.9)	(8)%	30.7	38.5	(7.8)	(20)%
Restructuring and severance related charges	0.8	0.6	0.2	33%	1.5	1.5	—	—
Total operating costs and expenses	150.6	139.9	10.7	8%	433.0	422.1	10.9	3%
Operating income (loss)	\$ 4.6	\$ 0.6	\$ 4.0	n/m	\$ 11.5	\$ (5.1)	\$ 16.6	n/m
Operating margin	3.0%	0.4%		2.6 pts	2.6%	(1.2)%		3.8 pts
Capital expenditures	\$ 3.9	\$ 5.4	\$ (1.5)	(28)%	\$ 16.7	\$ 16.9	\$ (0.2)	(1)%

IT Services and Hardware, continued

Metrics information (in thousands):	September 30,			
	2020	2019	Change	% Change
Consulting				
Billable Resources	1,437	1,007	430	43 %
Communications				
NaaS Locations	5,419	3,492	1,927	55 %
SD - WAN Locations	2,783	1,849	934	51 %
Hosted UCaaS Profiles*	277,610	270,335	7,275	3 %

* Includes Hawaii Hosted UCaaS Profiles

Revenue

IT Services and Hardware segment revenue increased \$14.7 million and \$27.5 million for the three and nine months ended September 30, 2020, respectively, as compared to the same periods in the prior year. Communications and Consulting revenue are the main contributors to this revenue increase in 2020. Communications revenue increased as a result of customers migrating to newer technologies which has increased the Company's Hosted UCaaS profiles, NaaS locations and SD-WAN locations. In addition, Communications revenue was favorably impacted as certain customers required additional services to mitigate the issues caused by the COVID-19 pandemic on their businesses. The decline in legacy communications revenue and one-time Communications projects partially offset these increases. Consulting revenue increased due to obtaining new projects throughout 2019 which continue to bill and grow in 2020. Infrastructure Solutions revenue increased \$1.8 million in the three months ended September 30, 2020 compared to the same period in the prior year due to additional project volume from existing customers, primarily in the retail and education sectors, in the third quarter of 2020. In the nine months ended September 30, 2020, Infrastructure Solutions revenue decreased \$2.9 million compared to the same period in 2019 as increased revenue from projects in the third quarter was more than offset by the decline in hardware sales that occurred in the second quarter partially due to the impacts of COVID-19 and customers migrating to managed services. Increased revenue was partially offset by decreases in Cloud revenue in the three and nine months ended September 30, 2020 compared to the comparable periods in 2019. Cloud revenue decreased due to less revenue generated from one-time projects in addition to lower revenue contributed by GE of \$4.3 million in the nine months ended September 30, 2020 compared to the prior year due to GE insourcing certain cloud services.

Operating Costs and Expenses

IT Services and Hardware cost of services and products increased \$13.3 million and \$21.9 million for the three and nine months ended September 30, 2020, respectively, as compared to the same periods in the prior year due to increases in payroll related costs, contractor costs, software licensing costs and regulatory fees. The increase in payroll related costs and contractor costs is due to additional headcount to support the growth in the Communications and Consulting practices as well as a one-time bonus to reward employees for their efforts during COVID-19. As a result of the consulting projects obtained in 2019, billable resources increased by 430 compared to September 30, 2019. Higher software licensing costs were also incurred to support the revenue growth in the Communications practice.

SG&A expenses decreased \$1.9 million and \$3.2 million for the three and nine months ended September 30, 2020, respectively, as compared to the comparable periods in 2019. The decreases are primarily related to cost containment strategies taken in 2020 to reduce the negative impact of the COVID-19 pandemic on the business. This was partially offset by an increase in bad debt expense due to updating our estimate of the impact of the economic downturn associated with the COVID-19 pandemic on the Company's receivables and a one-time bonus awarded to employees in the third quarter. In addition, employee contract termination costs incurred in the first quarter of 2020 partially offset the decrease in the nine months ended September 30, 2020 compared to the same period in the prior year.

Depreciation and amortization expenses decreased \$0.9 million and \$7.8 million for the three months and nine months ended September 30, 2020, respectively, as compared to the same periods in the prior year due to accelerated depreciation expense for certain network assets designated for use by a specific customer. The network assets for which accelerated depreciation expense was incurred were determined to have a shorter useful life due to a change in the customer's requirements in the first quarter of 2019 and were fully depreciated as of December 31, 2019.

Restructuring and severance related charges recorded in the three and nine months ended September 30, 2020 and 2019 are associated with initiatives to reduce and contain costs. In addition, restructuring and severance related charges recorded in the second quarter of 2019 are related to insourcing initiatives by one of our significant customers.

Capital Expenditures

Capital expenditures are dependent on the timing of success-based projects. Capital expenditures for the three and nine months ended September 30, 2020, were primarily related to projects supporting the Cloud and Communications practices. In addition to success-based projects, the Company incurred \$1.3 million for implementation work associated with internal software projects in the nine months ended September 30, 2020.

Financial Condition, Liquidity, and Capital Resources

As of September 30, 2020, the Company had \$1,958.0 million of outstanding indebtedness and an accumulated deficit of \$2,826.0 million. A significant amount of the Company's accumulated deficit resulted from the purchase and operation of a national broadband business, which was sold in 2003.

The Company's primary source of cash is generated by operations. The Company generated \$138.9 million and \$188.9 million of cash flows from operations during the nine months ended September 30, 2020 and 2019, respectively. As of September 30, 2020, the Company had \$159.9 million of short-term liquidity, comprised of \$8.8 million of cash and cash equivalents, \$143.0 million of undrawn capacity on our Revolving Credit Facility, and \$8.1 million available under the Receivables Facility.

The Receivables Facility permits maximum borrowings of up to \$200.0 million and is subject to annual renewal. As of September 30, 2020, the Company had borrowings of \$179.5 million and \$12.4 million of letters of credit outstanding under the Receivables Facility on a borrowing capacity of \$200.0 million. While we expect to continue to renew this facility, we would be required to use cash or our Revolving Credit Facility to repay any outstanding balance on the Receivables Facility if it was not renewed.

The Company's primary uses of cash are for capital expenditures and debt service and, to a lesser extent, to fund pension and retiree medical obligations and preferred stock dividends. In the first quarter of 2020, as a result of terminating the Brookfield Merger Agreement, we paid an affiliate of Brookfield a termination fee of \$24.8 million on March 13, 2020. The Company believes that its cash on hand, cash generated from operations, and available funding under its credit facilities will be adequate to meet its cash requirements for the next twelve months.

As of September 30, 2020, the Company was in compliance with the Credit Agreement covenants.

Cash Flows

Cash provided by operating activities during the nine months ended September 30, 2020 totaled \$138.9 million, a decrease of \$50.0 million compared to the same period in 2019. The decrease is due primarily to increased transaction and termination costs and increased cash outflow due to working capital compared to the same period in the prior year. Increased cash outflow due to working capital is partially due to \$20.2 million of accounts receivables sold on the Receivables Facility as of September 30, 2019, and no outstanding balance of accounts receivables sold as of September 30, 2020, as well as increased days sale outstanding in 2020 due to COVID-19 and the Pledge.

Cash flows used in investing activities during the nine months ended September 30, 2020 totaled \$160.8 million, a decrease of \$6.2 million compared to the same period in 2019 due to the decrease in capital expenditures.

Cash flows provided by financing activities during the nine months ended September 30, 2020 totaled \$19.3 million as compared to cash used in financing activities of \$30.9 million during the same period in the prior year. In the nine months ended September 30, 2020, the Company borrowed \$48.0 million on the Receivables Facility. In the nine months ended September 30, 2019, the Company borrowed \$27.0 million on the Revolving Credit Facility and repaid \$35.1 million on the Receivables Facility.

In the second quarter of 2020, the Company executed amendments to its Receivables Facility, which replaced, amended and added certain provisions and definitions to decrease the credit availability and renew the facility, which is subject to renewal every 364 days, until May 2021, and extend the facility's termination date to May 2023. Capacity on the AR facility is calculated and will continue to be calculated based on the quantity and quality of outstanding accounts receivables; therefore if the Company experiences declines in revenue or extends discounts to customers, the capacity could be negatively impacted and reduce our short term liquidity. Management is continuously monitoring liquidity to ensure sufficient cash is available.

Indentures

The Company's Senior Notes are governed by indentures which contain covenants that, among other things, limit the Company's ability to incur additional debt or liens, pay dividends or make other restricted payments, sell, transfer, lease or dispose of assets and make investments or merge with another company. The Company is in compliance with all of its debt indentures as of September 30, 2020.

Share Repurchase Plan

In 2010, the Board of Directors approved a plan for the repurchase of the Company's outstanding common stock in an amount up to \$150.0 million. In prior years, the Company repurchased and retired a total of 1.7 million shares at a total cost of \$25.6 million dollars. As of September 30, 2020, the Company has the authority to repurchase its common stock with a value of up to \$124.4 million under the plan approved by its Board of Directors, subject to satisfaction of the requirements under its bond indentures.

Regulatory Matters

Universal Service

In January 2020, the FCC adopted a Report and Order establishing the Rural Digital Opportunity Fund ("RDOF"), which will be used to distribute \$20.4 billion over ten years to expand broadband in areas that remain unserved at the conclusion of the CAF II price cap support program. The funds will be awarded via two reverse auctions. In June 2020, the FCC released the procedures for the Phase I auction which is scheduled to begin on October 29, 2020. On October 13, 2020, the FCC announced that 386 applicants, including Cincinnati Bell Inc., are qualified to bid in the Phase I auction, which will award up to \$16 billion over the 10-year support term. The remaining \$4.4 billion plus any funds not awarded during Phase I will be distributed via a second auction to be held at a later date when more accurate broadband availability data becomes available. The Report and Order also extended the current price cap CAF II support for an additional year (through 2021). CBT and Hawaiian Telcom have accepted the seventh year of CAF II support, which will provide \$2.2 million for CBT and \$4.4 million for Hawaiian Telcom in 2021.

Special Access/Business Data Services

The deadline for detariffing of price cap carrier Business Data Services ("BDS") as mandated by the FCC's 2017 BDS Report and Order was August 1, 2020. By that date, all price cap carriers must have removed from their federal tariffs all packet-based services, Ethernet services, TDM services above the DS3 level, DS1 and DS3 transport services, and DS1 and DS3 services provided to end users within counties the FCC has determined are competitive. Hawaiian Telcom detariffed all of these services in late 2017 and early 2018 for all counties within Hawaii, whereas CBT chose to maintain its tariffs for these services during this permissive tariffing period. However, effective August 1, 2020, CBT eliminated its tariffs for all of these services except for DS1 and DS3 end user services in the two counties that the FCC has determined are non-competitive. Nearly all of the Company's current federally tariffed BDS revenue is derived from the competitive counties that are subject to the detariffing mandate.

Keep Americans Connected Pledge

On March 13, 2020, in response to the COVID-19 pandemic, FCC Chairman Pai called on broadband and telephone service providers to keep Americans connected as the country reacts to the serious disruptions caused by the coronavirus outbreak. To ensure that Americans do not lose their broadband or telephone connectivity during this outbreak, he asked the service providers to take the Keep Americans Connected pledge. Cincinnati Bell, on behalf of all of its affiliates, including Hawaiian Telcom, signed on to the Pledge under which it committed that for the next 60 days, it would (1) not terminate service to any residential or small business customers because of their inability to pay their bills due to the disruptions caused by the coronavirus pandemic; (2) waive any late fees that any residential or small business customers incur because of their economic circumstances related to the coronavirus pandemic; and (3) open its Wi-Fi hotspots to any American who needs them. Chairman Pai later called on companies to extend the pledge through June 30, 2020, which Cincinnati Bell and all of its affiliates agreed to do. In accordance with regulatory orders in Hawaii, the Pledge has continued to be honored for certain regulated services through the date of this filing.

Intercarrier Compensation

On October 9, 2020, the FCC released a Report and Order transitioning originating access charges for toll free calls to bill and keep over a three-year period. The Order does not provide a specific recovery mechanism for price cap companies to replace this lost revenue, finding instead that these companies can increase their existing Subscriber Line Charge or Access Recovery Charge to the extent they are otherwise able to do so. CBT and Hawaiian Telcom will assess the impact of the reduction in toll free charges and determine whether they have the ability to recover the lost revenue via existing mechanisms.

Unbundled Network Elements

In November 2019, the FCC opened a new proceeding to consider whether to update the remaining unbundling and resale obligations that apply to ILECs and proposed eliminating most remaining unbundling obligations with the exception of mass-market broadband-capable loops in rural areas. The FCC has announced that it will vote on a report and order at its October meeting that will eliminate DS0 loops in densely populated areas, DS1 and DS3 loops in areas with sufficient competition, and dark fiber loops near competitive fiber networks. Although Cincinnati Bell's ILEC operations may benefit from the elimination of the UNE unbundling requirements, the benefits will likely be outweighed by the increased costs the changes will impose on its CLEC operations.

Citizens Band Radio Service Spectrum Auction

The FCC conducted an auction of over 22,000 county-sized Priority Access Licenses (“PALs”) in the 3550-3650 MHz portion of the Citizens Band Radio Service (“CBRS”) 3.5 GHz spectrum band. This auction, which was designated as Auction 105, commenced on July 23, 2020 and ended on August 25, 2020. This auction offered up to seven PALs in each county-based license area, for a total of 22,631 PALs nationwide. Each PAL consists of a 10-megahertz unpaired channel in the 3.55-3.65 GHz band. Cincinnati Bell was the winning bidder for 56 PALs (23 in Ohio, 20 in Kentucky, and 13 in Hawaii) at a total cost of \$6.2 million.

Refer to the Company’s Annual Report on Form 10-K for the year ended 2019 for a complete description of regulatory matters.

Contingencies

In the normal course of business, the Company is subject to various regulatory and tax proceedings, lawsuits, claims and other matters. The Company believes adequate provision has been made for all such asserted and unasserted claims in accordance with accounting principles generally accepted in the United States. Such matters are subject to many uncertainties and outcomes that are not predictable with assurance.

Future Operating Trends

Refer to the Company’s Annual Report on Form 10-K for the year ended 2019 for a complete description of future operating trends for our business.

Critical Accounting Policies

The Company’s consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Application of these principles requires management to make estimates or judgments that affect the amounts reported in the accompanying Condensed Consolidated Financial Statements and information available as of the date of the financial statements. As this information changes, the financial statements could reflect different estimates or judgments. The Company’s most critical accounting policies and estimates are described in its Annual Report on Form 10-K for the year ended December 31, 2019.

Recently Issued Accounting Standards

Refer to Note 1 of the Condensed Consolidated Financial Statements for further information on recently issued accounting standards and the impact to the Condensed Consolidated Financial Statements as a result of adopting ASU 2016-13 effective January 1, 2020.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2019 for a description of the Company's market risks.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

Cincinnati Bell Inc.'s management, with the participation of the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in SEC Rule 13a-15(e)) as of the end of the period covered by this report. Based on this evaluation, Cincinnati Bell Inc.'s Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, such controls and procedures were effective.

(b) Changes in internal control over financial reporting.

Cincinnati Bell Inc.'s management, with the participation of the Chief Executive Officer and Chief Financial Officer, have evaluated any changes in the Company's internal control over financial reporting that occurred during the third quarter of 2020, including the continuation of employees working remotely that started mid-March in response to the COVID-19 pandemic. Management has concluded that there were no changes to Cincinnati Bell Inc.'s internal control over financial reporting during the third quarter of 2020 that materially affect, or are reasonably likely to materially affect, Cincinnati Bell Inc.'s internal control over financial reporting. We are continually monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact to their design and operating effectiveness.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Cincinnati Bell and its subsidiaries are involved in a number of legal proceedings. Liabilities are established for legal claims when losses associated with the claims are judged to be probable and the loss can be reasonably estimated. In many lawsuits and arbitrations, including most class action lawsuits, it is not possible to determine whether a liability has been incurred or to estimate the amount of the liability until the case is close to resolution, in which case a liability will not be recognized until that time. Based on information currently available, consultation with counsel, available insurance coverage and recognized liabilities, the Company believes that the eventual outcome of all claims will not, individually or in the aggregate, have a material effect on the Company's financial position or results of operations.

Item 1A. Risk Factors

The following risk factors should be read in conjunction with those risk factors and other information disclosed in our Form 10-K filed on February 24, 2020 and 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 recent global outbreak of COVID-19 and related government, private sector and individual consumer responsive actions have adversely affected the Company's business operations, employee availability, financial performance, liquidity and cash flow and may continue to do so for an unknown period of time.

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and on March 13, 2020, the President of the United States declared a national emergency relating to the outbreak. The outbreak has resulted in infections in the United States and abroad and has adversely affected workforces, customers and consumer sentiment and, along with a decrease in consumer spending, led to an economic downturn in many markets. National, state and local authorities have recommended social distancing measures and have imposed or are considering quarantine and isolation measures for large portions of the population, including mandatory business closures. These measures, while intended to protect human life, have had, and are expected to continue to have, serious adverse impacts on domestic and foreign economies of uncertain severity and duration. The effectiveness of economic stabilization efforts, including government payments under the CARES Act to affected citizens and industries, is uncertain.

In the United States and in other countries and regions where we have a significant employee presence, facilities or critical operations, the outbreak of COVID-19 has impacted our ability to manage day-to-day operations and service our customers and has increased our costs of operations and resulted in, among other things, loss of revenue. For example, we have implemented corporate and personal travel restrictions for employees and vendors, cancelled events and enabled work-from-home for many employees by equipping them to safely support customers remotely. We have also implemented additional safety measures for our retail stores and field operations teams. Additionally, we have been required to temporarily close or reduce operations at some of our retail locations, facilities and customer call centers. Retail locations inside malls were closed temporarily, but reopened in June 2020 as stay-at-home orders began to ease in Ohio. Retail locations that remain open continue to have reduced hours of operation. As a result of travel restrictions enacted by local government, our third-party off-shore call center was forced to reduce its hours of operation for several weeks, resulting in longer than normal hold times during that period. The call centers that support the Cincinnati market returned to normal hours of operation on April 28, 2020. Due to stay-at-home orders easing in the primary markets in which the Company operates, operations have normalized as of the date of this filing, but we may be required to temporarily close or reduce operations at more of or all of our retail locations, facilities or call centers again if there is a resurgence of COVID-19 in the markets in which we operate. The foregoing effects, and other effects of COVID-19, may continue for an unknown period of time.

Our business has been, and may continue to be, negatively impacted by the effects of, or precautions taken to avoid exposure to, COVID-19, such as reduced travel or recommendations or mandates from governmental authorities to avoid large gatherings or to self-quarantine, and by the resulting disruptions to economic conditions and financial markets. Such impacts include, but are not limited to:

- Disruptions to our third-party providers, including those who provide many of our information technology, call center functions, certain accounting functions and other critical vendor services;
- Reduced workforces caused by, among other things, the temporary inability of the workforce to work due to illness, quarantine, or government mandates, or temporary unwillingness to work due to health concerns;
- Reduced customer demand or customer payment of accounts receivables as a result of adverse economic conditions resulting from the COVID-19 pandemic;

- Reduced availability of certain network equipment in the supply chain due to increased demand and certain suppliers who have had, or continue to have, workforce constraints due to the COVID-19 pandemic; and
- Reduced revenues as a result of our pledge to not terminate service to certain customers due to their inability to pay bills because of disruptions caused by COVID-19 and to waive late fees for certain customers as a result of circumstances related to COVID-19.

Potential future impacts include, but are not limited to:

- Increased capital costs and service disruptions or reduced bandwidth for customers due to significant short-term increases in consumer activations and bandwidth usage due to individuals working from home;
- Increased supply chain risks such as increased scrutiny or embargoing of goods produced in infected areas;
- Increased health insurance and labor-related costs arising from illness, quarantine and the implementation of social distancing and work-from-home measures;
- Reduced employee productivity and a negative impact on the execution of our business plans and operations as employees must balance working remotely from home with personal responsibilities, such as child care and education;
- Increased risk of phishing and other cybersecurity attacks, and increased risk of unauthorized dissemination of sensitive personal information or proprietary or confidential information about us, our customers or other third parties as a result of employees or third-party vendors' employees working remotely; and
- In the event of a natural disaster, power outage, connectivity issue or other event that impacts our employees' ability to work remotely, it may be difficult or, in certain cases, impossible, for us to continue to support our customers' needs and respond to inquiries through call center operations or to perform necessary repairs and maintenance.

The foregoing impacts, and other impacts of COVID-19 discussed elsewhere in these risk factors, are consistent with those generally affecting the economic, financial, regulatory and political conditions in the United States and elsewhere in the world, and are generally applicable to the industries and markets in which the Company and its subsidiaries operate. These impacts could materially increase our costs, negatively impact our consumer and business sales and damage the Company's financial condition, results of operations, cash flows and liquidity position, possibly to a significant degree. The severity and duration of any such impacts cannot be predicted because of the rapidly evolving nature of the COVID-19 pandemic.

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, 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. We cannot be assured that these opportunities will be successful or that these initiatives will improve our financial position or our results of operations. The outbreak of COVID-19 may also negatively impact these opportunities and require us to incur additional related costs responding to the virus, particularly if the effects of COVID-19 persist for a significant period of time.

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, leading 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 financial compensation or may be able to terminate their relationship with the Company. In order to provide these levels of service, the Company is required to protect against human error, natural disasters, equipment failure, power failure, sabotage and vandalism, and have disaster recovery plans available in the event of disruption of service. As a result of the COVID-19 outbreak, this same level of service must now be provided in a predominantly remote working environment due to many members of the workforce now executing their daily responsibilities from their homes. Our increased reliance on personnel working from home may negatively impact productivity and there is no certainty that such measures will be sufficient to mitigate the risks posed by the COVID-19 outbreak. Additionally, our field technicians are classified as essential personnel and continue to operate business as usual. In the event that a significant number of our field technicians are affected by COVID-19, our ability to maintain our network could be reduced. The failure to address these or other events may result in a disruption of service. In addition, any inability to meet service level commitments or other performance standards could reduce the confidence of customers. Decreased customer confidence could impair the Company's ability to attract and retain customers, which could 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 Cincinnati, Ohio, Dayton, Ohio and the islands of Hawaii. An economic downturn or natural disaster occurring in any of these limited operating territories 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. Furthermore, because of Hawaii's geographic isolation, the successful operation and growth of the business in Hawaii is dependent on favorable economic and regulatory conditions in the state. The impact of COVID-19 on the Hawaiian Islands has been, and could continue to be, more significant than in other geographies due to reliance on tourism by many businesses and reductions in tourism due to social distancing measures, self-quarantine requirements for visitors and recommendations of federal, state and local governments.

The customer base for telecommunications services in Hawaii is small and geographically concentrated. The population of Hawaii is approximately 1.4 million, approximately 70% of whom live on the island of Oahu. Any adverse economic conditions affecting Oahu (including the outbreak of COVID-19), or Hawaii generally, could materially impair our ability to operate our business. Labor shortages or increased labor costs in Hawaii could also have an adverse effect on our business. In addition, we may be subject to increased costs for goods and services that the Company is unable to control or defray as a result of operating in this limited territory or as a result of the COVID-19 outbreak. Increased expenses including, but not limited to, energy and health care could have an adverse effect on our business and results of operations.

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. As a result of stay-at-home orders in Ohio and Hawaii in response to the COVID-19 outbreak, increased numbers of people working from home and students attending school online have resulted in, and could continue to result in, significantly higher than normal demands on our network capacity. If this continues to occur and our existing network capacity becomes unable to handle the increased demand, 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. Service disruptions or reduced capacity for customers may result if we do not sufficiently increase network capacity in response to further sudden and significant increases in demand, such as may result from the COVID-19 outbreak. Any of these occurrences could result in an adverse impact to our results of operations and financial condition.

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 competitively 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 the Company's revenue is derived from pricing plans that are subject to regulatory review and approval. These regulated pricing plans limit the rates the Company can charge for some services while the competition has typically been able to set rates for services with limited or no restriction. In the future, regulatory initiatives that would put the Company 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, the Company's telecommunications services are subject to the Communications Act of 1934 as amended by the Telecommunications Act of 1996, including rules adopted by the Federal Communications Commission ("FCC"). In addition, the Company's submarine cable facilities and operations are also subject to requirements imposed by the national security and law enforcement agencies (e.g., the Departments of Justice, Defense and Homeland Security). At the state level, Cincinnati Bell Telephone Company LLC ("CBT") operates as the incumbent local exchange carrier ("ILEC") and carrier of last resort in portions of Ohio, Kentucky, and Indiana, while Hawaiian Telcom, Inc. ("HTI") serves as the ILEC and carrier of last resort in Hawaii. As the ILEC in those states, these entities are 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 and HTI's ability to compete in their respective markets. In addition, although less heavily regulated than the Company's ILEC operations, other subsidiaries are authorized to provide competitive local exchange service, long distance, and cable television service in various states, and are consequently also subject to various state and federal telecommunications and cable regulations that could adversely impact their operations.

There are currently many regulatory actions under way and being contemplated by federal and state authorities regarding issues, including national security and law enforcement issues that could result in significant changes to the business conditions in the telecommunications industry. On April 4, 2020, the President of the United States issued Executive Order No. 13913 Establishing the Committee for the Assessment of Foreign Participation in the United States Telecommunications Services Sector (the "Committee"), which formalized the ad-hoc foreign investment review process (formerly referred to as "Team Telecom") applicable to FCC licenses and transactions. The Executive Order empowers the Committee to review FCC license and transfer applications involving foreign participation to determine whether grant of the requested license or transfer approval may pose a risk to the national security or law enforcement interests of the United States, and to review existing licenses to identify any additional or new risks to national security or law enforcement interests that did not exist when a license was first granted. Following an investigation, the Committee may recommend that the FCC revoke or modify existing licenses, or deny or condition approval of new licenses and license transfers. It is not possible for the Company to determine whether it may be subject to a proceeding to revoke or modify its existing licenses or predict the outcome of a review of new license or transfer applications by the Committee in the future. A review of existing licenses and/or a review of new licenses and transfers by the Committee may result in additional compliance obligations that may affect the Company's expenses and business operations in the future.

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 although court decisions and/or legislative action could lead to greater regulation of the internet (including internet access services). 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 an adverse effect on the Company's business, financial condition, results of operations and cash flows.

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.

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, cause it to lose customers or materially and adversely impact our business, financial condition, and results of operations.

The Company depends on third-party providers to supply products and services. For example, many of the Company's information technology, call center functions and certain accounting functions are performed by third-party providers, some of which are located outside of the United States, and network equipment is purchased from and maintained by vendors. Additionally, certain installation services sold by our IT Services and Hardware segment are performed by third-party providers.

Governments, public institutions and other organizations in countries and regions where cases of COVID-19 have been detected have taken certain emergency measures to combat its spread and impact, including implementation of travel bans, suspension of public transportation and closures of factories, schools, public buildings, businesses and other institutions. As a result of such measures, our third-party off-shore call center was forced to reduce its hours of operation for several weeks, resulting in longer than normal hold times during that period. The loss of, or further 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. While the full impact of the COVID-19 outbreak is not yet known, potential effects on our business include disruptions to or restrictions on our third-party providers, suppliers and other vendors in our supply chain, including limitations on the ability of their employees to travel and temporary closures or reductions in the hours of their facilities or customer call centers.

We have suppliers around the world, including in China, the United States and other countries where cases of COVID-19 have been reported and are continuing to spread. As a result, the COVID-19 pandemic may result in shortages, price increases or delays to the delivery of materials. We could be materially adversely impacted, including from any disruption to critical vendor services or losses of business, if any of our suppliers face significant business disruptions as a result of COVID-19 or any similar outbreak.

Moreover, certain policies and statements of the President of the United States and senior government officials have given rise to uncertainty about the status of certain international trade agreements to which the United States is a party and the position of the United States with respect to international trade generally. The U.S. government has recently increased tariffs and imposed new tariffs on a wide range of products imported from China. It remains unclear what additional actions, if any, the current U.S. administration will take with respect to existing trade relationships. Additional trade restrictions, including tariffs, quotas, embargoes, safeguards and customs restrictions, could increase the cost or reduce the supply of products available to us and to our suppliers based in the United States and may require us to modify our supply chain organization or other current business practices, any of which could harm our business, financial condition, and results of operations.

Risks Related to Our Indebtedness

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, including the effects of the COVID-19 outbreak, many of which are beyond its control. The Company cannot provide assurance that its business will generate sufficient cash flow from operations, that additional sources of debt financing will be available or that future borrowings will be available under its Revolving Credit Facility 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, selling assets, 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.

Risks Relating to the Merger with Macquarie Infrastructure Partners

There are material uncertainties and risks associated with the MIP Merger Agreement and proposed MIP Merger.

On March 13, 2020, the Company entered into an Agreement and Plan of Merger (the "MIP Merger Agreement") pursuant to which the Company will be acquired by an affiliate of Macquarie Infrastructure Partners V ("MIP"), a fund managed by Macquarie Infrastructure and Real Assets (the "MIP Merger"). Below are material uncertainties and risks associated with the MIP Merger Agreement and the proposed MIP Merger. If any of the risks develop into actual events, then the Company's business, financial condition, results and ongoing operations, share price or prospects could be adversely affected.

- The announcement or pendency of the MIP Merger may impede the Company's ability to retain and hire key personnel and its ability to maintain relationships with its customers, suppliers and others with whom it does business or its operating results and business generally;
- The attention of the Company's employees and management may be diverted due to activities related to the MIP Merger, which may affect the Company's business operations;
- Matters relating to the transactions may require substantial commitments of time and resources by the Company's management, which could harm the Company's relationships with its employees, customers, distributors, suppliers or other business partners, and may result in a loss of or a substantial decrease in purchases by its customers;
- The MIP Merger Agreement restricts the Company from engaging in certain actions without the approval of MIP, which could prevent the Company from pursuing certain business opportunities outside the ordinary course of business that arise prior to the closing of the MIP Merger;
- The MIP Merger Agreement contains provisions that could discourage a potential competing acquirer of the Company;
- The Company's directors and executive officers have financial interests in the MIP Merger that may be different from, or in addition to, the interests of the Company's shareholders generally, which could have influenced their decisions to support or approve the MIP Merger;

- Shareholder litigation in connection with the transactions contemplated by the MIP Merger Agreement may result in significant costs of defense, indemnification and liability; and
- The MIP Merger may materially limit the Company's ability to utilize existing deferred tax assets related to federal and state net operating losses.

The proposed MIP Merger may not be completed in a timely manner or at all.

Completion of the MIP Merger is subject to customary closing conditions, including (1) the absence of an order, injunction or law prohibiting the MIP Merger, (2) the expiration or early termination of the waiting period (including any extension thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, (3) approval of the MIP Merger by the Committee on Foreign Investment in the United States under Section 721 of the Defense Production Act of 1950, as amended and (4) certain FCC consents and state regulatory consents required in connection with the MIP Merger shall have been obtained, shall not be subject to agency reconsideration or judicial review, and the time for any person to petition for agency reconsideration or judicial review shall have expired. On April 4, 2020, the President of the United States issued Executive Order No. 13913 Establishing the Committee, which formalized the ad-hoc foreign investment review process (formerly referred to as "Team Telecom") applicable to FCC licenses and transactions. The Executive Order empowers the Committee to review FCC license and transfer applications involving foreign participation to determine whether grant of the requested license or transfer approval may pose a risk to the national security or law enforcement interests of the United States, and to review existing licenses to identify any additional or new risks to national security or law enforcement interests that did not exist when a license was first granted. Following an investigation, the Committee may recommend that the FCC revoke or modify of existing licenses, or deny or condition approval of new licenses and license transfers. It is likely that the MIP Merger will be reviewed by the Committee. At this time, it not possible for the Company to predict the outcome of a review of the MIP Merger by this new Committee and whether the Committee may condition approval of the MIP Merger to any specific mitigation arrangement or other conditions. Any such arrangement may result in additional compliance obligations that may affect the Company's expenses and business operations in the future.

In addition, the MIP Merger Agreement may require the Company and MIP to comply with conditions imposed by regulatory entities and neither company is required to take any action with respect to obtaining any regulatory approval that, individually or in the aggregate, would be reasonably likely to have a material adverse effect on MIP and its affiliates (taken as a whole) or the Company and its subsidiaries (taken as a whole). There can be no assurance that regulators will not impose conditions, terms, obligations or restrictions and that such conditions, terms, obligations or restrictions will not result in the delay or abandonment of the MIP Merger. There can be no assurance that all of these required approvals and clearances will be obtained or will be obtained on a timely basis. The COVID-19 outbreak may also result in delays to the receipt of certain regulatory approvals required to consummate the MIP Merger.

The obligation of each of the Company and MIP to consummate the MIP Merger is also conditioned on, subject to certain materiality and other qualifiers, the accuracy of the representations and warranties of the other party and the performance in all material respects by the other party of its obligations under the MIP Merger Agreement. Competing offers or acquisition proposals for the Company may be made, resulting in delay of the MIP Merger or termination of the MIP Merger Agreement. Lawsuits have been and may be filed against the Company relating to the MIP Merger and an adverse ruling in any such lawsuit may prevent the MIP Merger from being completed in the time frame expected or at all. While the MIP Merger Agreement is not subject to any financing condition, if MIP fails to obtain debt financing, the MIP Merger is unlikely to be consummated. Each of the Company and MIP has the right to terminate the MIP Merger Agreement under certain circumstances, as described in the MIP Merger Agreement.

Failure to complete the MIP Merger could negatively impact the Company's business, financial results and stock price.

If the MIP Merger is delayed or not completed, the Company's ongoing businesses may be adversely affected and will be subject to several risks and consequences, including the following:

- decline in share price to the extent that the current price of Company common shares reflects an assumption that the MIP Merger will be completed;
- negative publicity and a negative impression of the Company in the investment community;
- loss of business opportunities and the ability to effectively respond to competitive pressures; and
- the Company may be required, under certain circumstances, to pay MIP a termination fee and additional expenses.

The Company has incurred, and will incur, substantial direct and indirect costs as a result of the MIP Merger.

The Company has incurred, and will continue to incur, significant costs, expenses and fees for professional advisors, printing and other transaction costs in connection with the MIP Merger, and some of these fees and costs are payable by the Company regardless of whether the MIP Merger is consummated.

Other Risk Factors

The trading price of the Company's common stock has been, and may continue to 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. The Company's recent stock price reflects the assumption that the MIP Merger will be completed or a new offer will proceed to an agreement and an acquisition will be completed.

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 market and industry fluctuations, as well as general economic, political, and market conditions, may negatively affect the market price of the Company's stock.

The COVID-19 outbreak has also caused severe disruption in financial and equity markets in the United States and abroad. Uncertainty around the duration of business disruptions and the extent of the spread of the virus could continue to adversely impact the national or global economy and 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 COVID-19 pandemic has resulted in an economic downturn, including increased unemployment and a decrease in consumer and commercial activity, that may continue for an extended period of time. The Company's primary source of cash is customer collections. As a result of current adverse economic conditions and uncertainty relating to the COVID-19 pandemic, some customers have canceled or requested discounts on future contracted services or have had difficulty paying their accounts receivable. Additional customers may cancel or request discounts on future contracted services or have difficulty paying their accounts receivable, especially if economic conditions worsen. In response to the negative economic impacts of the COVID-19 pandemic, the Company has pledged to not terminate service to any residential or small business customers because of their inability to pay their bills due to the disruptions caused by COVID-19 and to waive any late fees that any residential or small business customers would incur because of economic circumstances related to COVID-19. This pledge has resulted and could continue to result in lower revenues, and has resulted, and could continue to result, in increases in the allowance for doubtful accounts due to future collection risk, which has negatively affected our results of operations and could continue to negatively affect our results of operations in the future. Furthermore, the sales cycle has been lengthened, and could be further lengthened, due to business customers slowing spending and/or delaying decision-making on the Company's products and services, which has adversely affected, and could further adversely affect, revenues. Some competitors have lowered prices or offered promotions as a result of economic conditions, and others may do so as well, which has exerted, and could further exert, pricing pressure on the Company. If the economies of the U.S. and the world continue to deteriorate, this could have an adverse effect on the Company's business, financial condition, results of operations and cash flows.

The Company could be subject to a significant amount of litigation, which could require the Company to pay significant damages or settlements.

The industry that the Company operates in faces a substantial risk 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. Additionally, while preventative measures such as social distancing, frequent hand washing and wearing personal protective equipment including masks and gloves are being taken by our field technicians, the risk of inadvertent transmission of COVID-19 through human contact could still occur and result in litigation. We may incur significant expenses in defending these lawsuits. In addition, we may be required to pay significant awards and settlements.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the nine month period ended September 30, 2020, the Company had no unregistered sales of equity securities. The Company also had no purchases of its common stock for the nine months ended September 30, 2020.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosure

None.

Item 5. Other Information

No reportable items.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Form	<u>Incorporated by Reference</u>			Filed Herewith
			<u>Filing Date</u>	<u>Exhibit No.</u>	<u>SEC File No.</u>	
2.1	Agreement and Plan of Merger, dated as of March 13, 2020, by and among Cincinnati Bell Inc., Red Fiber Parent LLC and RF Merger Sub Inc.	8-K	3/13/2020	2.1	1-8519	
3.1	Amended and Restated Articles of Incorporation of Cincinnati Bell Inc.	8-K	4/30/2008	3.1	1-8519	
3.2	Amendment to the Amended and Restated Articles of Incorporation of Cincinnati Bell Inc.	8-K	10/5/2016	3.1	1-8519	
3.3	Amended and Restated Regulations of Cincinnati Bell Inc.	10-Q	8/8/2018	3.3	1-8519	
4.1	Sixth Supplemental Indenture, dated as of July 2, 2020, among Cincinnati Bell Inc., as Issuer, each subsidiary of the Issuer identified as a Guarantor, and Regions Bank, as Trustee.	8-K	7/6/2020	4.1	1-8519	
4.2	Second Supplemental Indenture, dated as of July 2, 2020, among Cincinnati Bell Inc., as Issuer, each subsidiary of the Issuer identified as a Guarantor, and Regions Bank, as Trustee.	8-K	7/6/2020	4.2	1-8519	
31.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					+
31.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					+
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					+
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					+
101	The following financial statements from Cincinnati Bell Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 were formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) Condensed Consolidated Statements of Shareholders' Deficit, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements.					
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).					

The Company's reports on Form 10-K, 10-Q, and 8-K are available free of charge in the Investor Relations section of the Company's website: <http://www.cincinnati-bell.com>. The Company will furnish any other exhibit at cost.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Cincinnati Bell Inc.

Date: November 5, 2020

/s/ Andrew R. Kaiser

Andrew R. Kaiser

Chief Financial Officer

Date: November 5, 2020

/s/ Suzanne E. Maratta

Suzanne E. Maratta

Chief Accounting Officer

Certifications

I, Leigh R. Fox, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cincinnati Bell Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure control and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2020

/s/ Leigh R. Fox

Leigh R. Fox
Chief Executive Officer

Certifications

I, Andrew R. Kaiser, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cincinnati Bell Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure control and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2020

/s/ Andrew R. Kaiser

Andrew R. Kaiser
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Cincinnati Bell Inc. (the "Company") on Form 10-Q for the period ending September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Leigh R. Fox, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Leigh R. Fox

Leigh R. Fox
Chief Executive Officer
November 5, 2020

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Cincinnati Bell Inc. (the "Company") on Form 10-Q for the period ending September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrew R. Kaiser, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Andrew R. Kaiser

Andrew R. Kaiser
Chief Financial Officer
November 5, 2020