

CINCINNATI BELL INC
Form 10-K/A
March 07, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K/A
(AMENDMENT NO. 1 TO FORM 10-K)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

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)
221 East Fourth Street, Cincinnati, Ohio 45202
(Address of principal executive offices) (Zip Code)
(513) 397-9900
(Registrant's telephone number, including area code)

31-1056105
(I.R.S. Employer Identification No.)

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

Title of each class	Name of each exchange on which registered
Common Shares (par value \$0.01 per share)	New York Stock Exchange
6 3/4% Convertible Preferred Shares	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements

incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A amends the Form 10-K filed by Cincinnati Bell Inc. on February 27, 2014 for the fiscal year ended December 31, 2013. In accordance with Rule 3-09 of SEC Regulation S-X, we are filing this amendment to include the financial statements of our equity method investee, CyrusOne Inc. and subsidiaries and CyrusOne LP and subsidiaries, as of December 31, 2013 (Successor) and 2012 (Predecessor) and for the periods from January 24, 2013 to December 31, 2013 (Successor), January 1, 2013 to January 23, 2013 (Predecessor) and for the years ended December 31, 2012 and 2011 (Predecessor). The audited financial statements of CyrusOne Inc. and subsidiaries and CyrusOne LP and subsidiaries for these periods are filed in this Form 10-K/A under Item 15 Exhibits and Financial Statement Schedules. In addition to the audited financial statements, new Exhibits 23.1, 23.2, 31.3, 31.4 and 32.3 are being filed pursuant to Commission regulations. Otherwise, this Form 10-K/A does not modify or update the financial position, results of operations, cash flows, disclosures or other information in Cincinnati Bell Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 and does not reflect events occurring after February 27, 2014 (the date the Form 10-K was filed).

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Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements

The consolidated financial statements, as indexed on page 68 of the 2013 Form 10-K, were filed on February 27, 2014.

2. Financial Statement Schedules

Financial Statement Schedule II — Valuation and Qualifying Accounts was included on page 139 of the 2013 Form 10-K filed on February 27, 2014. All other schedules are not required under the related instructions or are not applicable.

3. Exhibits

See the exhibits listed under Exhibits on pages 65 - 69 of this Annual Report on Form 10-K/A.

(c) Pursuant to Rule 3-09 of SEC Regulation S-X, the following information is included herein in this Annual Report on Form 10-K/A:

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of CyrusOne Inc.

We have audited the accompanying balance sheets of CyrusOne Inc. and subsidiaries (the "Company") as of December 31, 2013 (Successor) and 2012 (Predecessor), and the related statements of operations, equity, and cash flows for the periods from January 24, 2013 to December 31, 2013 (Successor) and January 1, 2013 to January 23, 2013 (Predecessor) and for the years ended December 31, 2012 and 2011 (Predecessor). Our audits also included the financial statement schedules listed in the index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of CyrusOne Inc. and subsidiaries at December 31, 2013 (Successor) and 2012 (Predecessor), and the results of their operations and their cash flows for the periods from January 24, 2013 to December 31, 2013 (Successor) and January 1, 2013 to January 23, 2013 (Predecessor) and for the years ended December 31, 2012 and 2011 (Predecessor), in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated and combined financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 3, the financial statements of the Company as of December 31, 2012 and for the period from January 1, 2013 to January 23, 2013 and for the years ended December 31, 2012 and 2011 include allocation of certain corporate overhead costs from Cincinnati Bell Inc. ("CBI"). These costs may not be reflective of the actual level of costs which would have been incurred had the Company operated as a separate entity apart from CBI. Also, the financial statements of the Company as of December 31, 2012 and for the periods from January 1, 2013 to January 23, 2013 and for the years ended December 31, 2012 and 2011 are presented as the "Predecessor" financial statements on a combined basis and the financial statements as of December 31, 2013 and for the period from January 24, 2013 to December 31, 2013 are presented on a consolidated basis as the "Successor" financial statements.

/s/ Deloitte & Touche LLP
Dallas, Texas
February 28, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Partners of CyrusOne LP

We have audited the accompanying balance sheets of CyrusOne LP and subsidiaries (the "Partnership") as of December 31, 2013 (Successor) and 2012 (Predecessor), and the related statements of operations, partnership capital, and cash flows for the periods from January 24, 2013 to December 31, 2013 (Successor) and January 1, 2013 to January 23, 2013 (Predecessor) and for the years ended December 31, 2012 and 2011 (Predecessor). Our audits also included the financial statement schedules listed in the index at Item 15. These financial statements and financial statement schedules are the responsibility of the Partnership's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of CyrusOne LP and subsidiaries at December 31, 2013 (Successor) and 2012 (Predecessor), and the results of their operations and their cash flows for the periods from January 24, 2013 to December 31, 2013 (Successor) and January 1, 2013 to January 23, 2013 (Predecessor) and for the years ended December 31, 2012 and 2011 (Predecessor), in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated and combined financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 3, the financial statements of the Partnership as of December 31, 2012 and for the period from January 1, 2013 to January 23, 2013 and for the years ended December 31, 2012 and 2011 include allocation of certain corporate overhead costs from Cincinnati Bell Inc. ("CBI"). These costs may not be reflective of the actual level of costs which would have been incurred had the Company operated as a separate entity apart from CBI. Also, the financial statements of the Partnership as of December 31, 2012 and for the periods from January 1, 2013 to January 23, 2013 and for the years ended December 31, 2012 and 2011 are presented as the "Predecessor" financial statements on a combined basis and the financial statements as of December 31, 2013 and for the period from January 24, 2013 to December 31, 2013 are presented on a consolidated basis as the "Successor" financial statements.

/s/ Deloitte & Touche LLP
Dallas, Texas
February 28, 2014

CyrusOne Inc.
CONSOLIDATED AND COMBINED BALANCE SHEETS
(dollars in millions)

	Successor As of December 31, 2013	Predecessor As of December 31, 2012
Assets		
Investment in real estate:		
Land	\$89.3	\$44.5
Buildings and improvements	783.7	722.5
Equipment	190.2	52.4
Construction in progress	57.3	64.2
Subtotal	1,120.5	883.6
Accumulated depreciation	(236.7	) (176.7
Net investment in real estate	883.8	706.9
Cash and cash equivalents	148.8	16.5
Rent and other receivables, net of allowance for doubtful accounts of \$0.5 and \$0.3 as of December 31, 2013 and December 31, 2012, respectively	41.2	33.2
Restricted cash	—	6.3
Goodwill	276.2	276.2
Intangible assets, net of accumulated amortization of \$55.1 and \$38.2 as of December 31, 2013, and December 31, 2012	85.9	102.6
Due from affiliates	0.6	2.2
Other assets	70.3	67.0
Total assets	\$1,506.8	\$1,210.9
Liabilities and equity		
Accounts payable and accrued expenses	\$66.8	\$37.1
Deferred revenue	55.9	52.8
Due to affiliates	8.5	2.9
Capital lease obligations	16.7	32.2
Long-term debt	525.0	525.0
Other financing arrangements	56.3	60.8
Total liabilities	729.2	710.8
Commitment and contingencies		
Equity		
Preferred stock, \$.01 par value, 100,000,000 authorized; no shares issued or outstanding	—	—
Common stock, \$.01 par value, 500,000,000 shares authorized and 21,991,669 shares issued and outstanding at December 31, 2013 (Successor)	0.2	—
Common stock, \$.01 par value, 1,000 shares authorized and 100 shares issued and outstanding at December 31, 2012 (Predecessor)	—	—
Additional paid in capital	340.7	7.1
Accumulated deficit	(18.9) —
Partnership capital	—	493.0
Total shareholders' equity/Parent's net investments	322.0	500.1
Noncontrolling interest	455.6	—
Total equity	777.6	500.1
Total liabilities and equity	\$1,506.8	\$1,210.9

The accompanying notes are an integral part of the consolidated and combined financial statements

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CyrusOne Inc.

CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS

(dollars in millions, except per share data)

	Successor	Predecessor	Years Ended December 31,	
	January 24, 2013 to December 31, 2013	January 1, 2013 to January 23, 2013	2012	2011
Revenue	\$248.4	\$15.1	\$220.8	\$181.7
Costs and expenses:				
Property operating expenses	88.4	4.8	76.0	58.2
Sales and marketing	9.9	0.7	9.7	9.1
General and administrative	26.5	1.5	20.7	12.5
Depreciation and amortization	89.9	5.3	73.4	55.5
Restructuring charges	0.7	—	—	—
Transaction costs	1.3	0.1	5.7	2.6
Transaction-related compensation	—	20.0	—	—
Management fees charged by CBI	—	—	2.5	2.3
Loss on sale of receivables to an affiliate	—	—	3.2	3.5
Asset impairments	2.8	—	13.3	—
Total costs and expenses	219.5	32.4	204.5	143.7
Operating income (loss)	28.9	(17.3	) 16.3	38.0
Interest expense	41.2	2.5	41.8	32.9
Other income	(0.1) —	—	—
Loss on extinguishment of debt	1.3	—	—	1.4
Net (loss) income before income taxes	(13.5	) (19.8	) (25.5	) 3.7
Income tax (expense) benefit	(1.9	) (0.4	) 5.1	(2.2
(Loss) income from continuing operations	(15.4	) (20.2	) (20.4	) 1.5
(Loss) gain on sale of real estate improvements	(0.2	) —	0.1	—
Net (loss) income	\$(15.6	) \$(20.2	) \$(20.3	) \$1.5
Noncontrolling interest in net loss	10.3			
Net loss attributed to common shareholders	\$(5.3)		
Basic weighted average common shares outstanding	20.9			
Diluted weighted average common shares outstanding	20.9			
Loss per share - basic and diluted	\$(0.28)		

The accompanying notes are an integral part of the consolidated and combined financial statements

CyrusOne Inc.

CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS

(dollars in millions)

	Successor	Predecessor		
	January 24,	Year Ended December 31,		
	2013 to	January 1, 2013	2012	2011
	December 31,	to		
	2013	January 23,		
	2013	2013		
Cash flows from operating activities:				
Net (loss) income	\$(15.6	) \$(20.2	) \$(20.3	) \$1.5
Adjustments to reconcile net (loss) income to net cash provided by operating activities:				
Depreciation and amortization	89.9	5.3	73.4	55.5
Loss on sale of receivables and other assets	—	—	3.0	3.5
Provision for bad debt write off	0.4	—	0.1	—
Asset impairments	2.8	—	13.3	—
Loss on extinguishment of debt	1.3	—	—	1.4
Noncash interest expense	4.0	0.1	0.3	—
Deferred income tax expense (benefit), including valuation allowance change	0.6	0.3	(4.5	) 1.6
Stock-based compensation expense	6.0	0.2	—	—
Changes in operating assets and liabilities, net of effects of acquisitions:				
Increase in receivables and other assets	(15.7	) (9.6	) (24.0	) (3.3
(Decrease) Increase in accounts payable and accrued expenses	(14.6	) 20.5	(0.6	) 3.5
(Decrease) Increase in deferred revenues	(0.1	) 3.2	3.8	2.3
Increase in payables to related parties	18.4	1.5	—	—
Other	—	0.7	—	—
Net cash provided by operating activities	77.4	2.0	44.5	66.0
Cash flows from investing activities:				
Capital expenditures – acquisitions of real estate	(48.0	) —	(25.4	) (22.4
Capital expenditures – other	(172.9	) (7.7	) (202.9	) (95.1