CAMCO FINANCIAL CORP
Form 10-Q/A
February 03, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q/A

Amendment No. 1

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2011

OR

¨ **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 0-25196

CAMCO FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**51-0110823**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification Number)**

814 Wheeling Avenue, Cambridge, Ohio 43725-9757
(Address of principal executive offices) (Zip Code)
Registrant s telephone number, including area code: (740) 435-2020

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

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

Yes x No ¨

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

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

Indicate by checkmark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

Yes ¨ No x

As of August 8, 2011, the latest practicable date, 7,205,595 shares of the registrant s common stock, $1.00 par value, were outstanding.

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Camco Financial Corporation

Quarterly Report on Form 10-Q/A for the period ended June 30, 2011

EXPLANATORY NOTE

Camco Financial Corporation (the Camco) is filing this Amendment No. 1 (Amended Report) to its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011, which was originally filed with the Securities and Exchange Commission (SEC) on August 15, 2011 (the Original Report), to restate the Camco s unaudited consolidated financial statements for the quarterly period ended June 30, 2011 and amend related disclosures in the Selected Financial Data and Management s Discussion and Analysis.

On January 17, 2012, the Boards of Directors of Camco and Advantage Bank, Camco s wholly owned subsidiary, received notice from Advantage s regulators, the FDIC and Ohio Department of Financial Institutions (ODFI), that Advantage must restate its Call Report previously filed with the FDIC to reflect an additional provision to Advantage s allowance for loan losses of at least $1.6 million as of June 30, 2011. This impacted our previously issued unaudited consolidated financial statements for the quarter ended June 30,2011, contained in the Original Report.

As a result, Camco is filing this Amended Report to amend Part 1. Financial Statements and Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations, to reflect a restatement of the financial statements in connection with the following:

Camco s net loss after tax for the three months ended June 30, 2011, is $1.5 million compared to earnings of $137,000. Loss per basic share for the second quarter of 2011 is $(.20), compared to the originally reported earnings per share of $.02. Due to the adjustments to the financial results for the second quarter of 2011, Camco s after tax net loss for the six months ended June 30, 2011, is $811,000 compared to net earnings of $789,000. Loss per basic share for the six months ended 2011 is $(.11), compared to the originally reported basic earnings per share of $.11.

The provision for losses on loans for the second quarter of 2011 increased from $197,000 to $1.8 million. As a result of the increased provision for loan losses, the allowance for loan losses as of June 30, 2011 increased to $18.4 million, or 70.4% of non-performing loans, compared to the originally reported amount of $16.8 million, or 64.3% of non-performing loans.

Loans receivable net declined to $639.7 million from the previously reported level of $641.3 million and total assets declined to $765.9 million from the previously reported level of $767.5 million.

Total stockholders equity at June 30, 2011 declined $1.6 million to $44.5 million from $46.1 million.

For the specific line items restated and a more detailed description of the changes made in this restatement *See* Part 1, Item 9, Restatement of Previously Issued Financial Statements .

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Camco Financial Corporation

Quarterly Report on Form 10-Q/A for the period ended June 30, 2011

EXPLANATORY NOTE

While we are amending only certain portions of our Original Report, for convenience and ease of future reference, we are filing the entire Quarterly Report for the quarter ended June 30, 2011, in this Amended Report.

This Amended Report also includes currently-dated certifications from the Camco s Chief Executive Officer and Chief Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. Camco has not modified or updated disclosures presented in the Original Report, except as required to specifically reflect the effects of the restatement in the Amended Report. Accordingly, this Amended Report does not reflect other events occurring after the Original Report, nor does it modify or update those disclosures affected by other subsequent events. Information not affected by the restatement is unchanged and reflects the disclosures made at the time of the Original Report.

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Item 1. Financial Statements

Camco Financial Corporation

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(In thousands, except share data)

	September 30, June 30, 2011 (unaudited)	September 30, December 31, 2010
ASSETS		
Cash and due from banks	$ 13,074	$ 13,143
Interest-bearing deposits in other financial institutions	29,308	15,971
Cash and cash equivalents	42,382	29,114
Securities available for sale, at market	10,921	30,768
Securities held to maturity, at cost	3,663	3,948
Loans held for sale at lower of cost or fair value	3,699	2,208
Loans receivable net	639,683	667,840
Office premises and equipment net	9,389	9,928
Real estate acquired through foreclosure	14,216	10,096
Federal Home Loan Bank stock at cost	9,888	29,888
Accrued interest receivable	3,164	3,521
Mortgage servicing rights at lower of cost or market	3,979	3,841
Prepaid expenses and other assets	4,649	4,426
Cash surrender value of life insurance	19,739	19,388
Prepaid federal income taxes	554	
Total assets	$ 765,926	$ 814,966
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits	$ 631,647	$ 651,816
Other Borrowings	11,715	11,530
Advances from the Federal Home Loan Bank	68,765	92,934
Advances by borrowers for taxes and insurance	488	2,413
Accounts payable and accrued liabilities	8,816	10,170
Total liabilities	721,431	768,863
Commitments		
Stockholders equity:		
Preferred stock $1 par value; authorized 100,000 shares; no shares outstanding		
Common stock $1 par value; authorized 29,900,000 shares; 8,884,508 shares issued at June 30, 2011 and December 31, 2010	8,885	8,885
Unearned compensation	(47)	(94)
Additional paid-in capital	60,459	60,260
Retained earnings	(675)	136

Accumulated other comprehensive income (loss) net of related tax effects		(13)		1,030
Treasury stock -1,678,913 shares at June 30, 2011 and December 31, 2010, at cost		(24,114)		(24,114)
Total stockholders equity		44,495		46,103
Total liabilities and stockholders equity	$	765,926	$	814,966

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Camco Financial Corporation

CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share data)

(unaudited)	September 30, Six months ended June 30, 2011	September 30, 2010	September 30, Three months ended June 30, 2011	September 30, 2010
Interest and dividend income				
Loans	$ 17,740	$ 18,561	$ 8,839	$ 9,281
Investment securities	439	1,073	84	495
Other interest-earning accounts	503	673	157	333
Total interest and dividend income	18,682	20,307	9,080	10,109
Interest Expense				
Deposits	4,107	5,689	1,918	2,744
Borrowings	1,529	1,989	726	992
Total interest expense	5,636	7,678	2,644	3,736
Net interest income	13,046	12,629	6,436	6,373
Provision for losses on loans	2,810	6,117	1,797	5,212
Net interest income after provision for losses on loans	10,236	6,512	4,639	1,161
Other income				
Late charges, rent and other	565	737	203	328
Loan servicing fees	605	637	298	320
Service charges and other fees on deposits	1,032	1,116	529	598
Gain (loss) on sale of loans		490	(92)	261
Mortgage servicing rights net	139	(94)	(132)	(124)
Gain (loss) on sale of investments & fixed assets	1,280	(1)	2	(1)
Income on cash surrender value of life insurance	437	435	220	220
Total other income	4,058	3,320	1,028	1,602
General, administrative and other expenses				
Employee compensation and benefits	6,531	6,654	3,153	3,269
Occupancy and equipment	1,452	1,485	691	743
Federal deposit insurance premiums and other insurance	1,097	1,094	494	591
Data processing	561	566	277	286
Advertising	182	170	96	89
Franchise taxes	348	534	178	269
Postage, supplies and office expenses	471	567	253	274
Travel and training	121	118	56	65
Professional services	702	784	320	462
Deposit and transaction processing expenses	367	378	200	185
Real estate owned and other expenses	1,655	831	825	409
Loan expenses	1,081	736	598	333
Total general, administrative and other expense	14,568	13,917	7,141	6,975

Loss before federal income taxes		(274)		(4,085)		(1,474)		(4,212)
Federal income taxes (benefit)		537		(115)		(11)		(113)
NET LOSS	$	**(811)**	$	**(3,970)**	$	**(1,463)**	$	**(4,099)**
LOSS PER SHARE								
Basic	$	**(0.11)**	$	**(0.55)**	$	**(0.20)**	$	**(0.57)**
Diluted	$	**(0.11)**	$	**(0.55)**	$	**(0.20)**	$	**(0.57)**

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Camco Financial Corporation

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

	September 30,	September 30,	September 30,	September 30,
	Six months ended June 30,		Three months ended June 30,	
(unaudited)	**2011**	**2010**	**2011**	**2010**
Net loss	$ (811)	(3,970)	$ (1,463)	$ (4,099)
Other comprehensive income, net of tax:				
Unrealized holding gains on securities during the period, net of tax effects of $(103) and $99, $(143) and $64 for the respective periods	1,043	193	21	125
Reclassification adjustment for realized gains included in net earnings, net of taxes of $(441) and $0 in 2011 and 2010, respectively	(1,276)			
Comprehensive loss	**$ (1,044)**	**$ (3,777)**	**$ (1,442)**	**$ (3,974)**

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Camco Financial Corporation

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended June 30,

(In thousands)

	September 30, 2011	September 30, 2010
	(unaudited)	
Cash flows from operating activities:		
Net loss for the period	$ (811)	$ (3,970)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:		
Amortization of deferred loan origination fees	(159)	67
Amortization of premiums and discounts on investment and mortgage-backed securities net	30	8
Amortization of mortgage servicing rights net	72	546
Depreciation and amortization	668	628
Provision for losses on loans	2,810	6,117
Stock option expense	199	138
Deferred compensation	47	31
Provisions for losses on REO	259	192
Loss on sale of real estate acquired through foreclosure	285	30
Gain on sale of loans		(490)
(Gain) or loss on sale of investments and fixed assets	(1,280)	1
Loans originated for sale in the secondary market	(34,614)	(29,293)
Proceeds from sale of loans in the secondary market	33,123	28,589
Net increase in cash surrender value of life insurance	(351)	(351)
Increase (decrease) in cash due to changes in:		
Accrued interest receivable	357	320
Prepaid expenses and other assets	(777)	(629)
Accrued interest and other liabilities	(818)	(949)
Net cash provided by (used in) operating activities	(960)	985
Cash flows provided by (used in) investing activities:		
Principal repayments, maturities on securities held to maturity	282	195
Principal repayments, maturities on securities available for sale	4,971	17,842
Purchases of investment securities designated as available for sale	(12,615)	
Purchases of investment securities designated as held to maturity		(828)
Proceeds from sale of investments	27,161	
Redemption of FHLB Stock	20,000	
Loan principal repayments	108,208	73,863
Loan disbursements and purchased loans	(90,452)	(100,079)
Proceeds from sale of office premises and equipment	4	10
Proceeds from sale of life insurance		160
Additions to office premises and equipment	(129)	(219)
Proceeds from sale of real estate acquired through foreclosure	2,876	1,521
Net cash provided by (used in) investing activities	60,306	(7,535)
Net cash provided by (used in) operating and investing activities balance carried forward	59,346	(6,550)

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Camco Financial Corporation

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

For the six months ended June 30,

(In thousands)

	September 30, 2011	September 30, 2010
Net cash provided by (used in) operating and investing activities (balance brought forward)	$ 59,346	$ (6,550)
Cash flows used in financing activities:		
Net decrease in deposits	(20,169)	(7,030)
Proceeds from Federal Home Loan Bank advances and other borrowings	42,317	87,606
Repayment of Federal Home Loan Bank advances and other borrowings	(66,301)	(76,848)
Decrease in advances by borrowers for taxes and insurance	(1,925)	(1,764)
Net cash provided by (used in) financing activities	(46,078)	1,964
Increase (decrease) in cash and cash equivalents	13,268	(4,586)
Cash and cash equivalents at beginning of period	29,114	38,153
Cash and cash equivalents at end of period	**$ 42,382**	**$ 33,567**
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest on deposits and borrowings	$ 5,699	$ 7,690
Income taxes paid	580	
Transfers from loans to real estate acquired through foreclosure	7,540	2,682

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NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited consolidated financial statements were prepared in accordance with instructions for Form 10-Q and, therefore, do not include information or footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America (US GAAP). Accordingly, these financial statements should be read in conjunction with the consolidated financial statements and notes thereto of Camco Financial Corporation (Camco or the Corporation) included in Camco s Annual Report on Form 10-K for the year ended December 31, 2010. However, all adjustments (consisting only of normal recurring accruals) which, in the opinion of management, are necessary for a fair presentation of the consolidated financial statements have been included. The results of operations for the six month period ended June 30, 2011, are not necessarily indicative of the results which may be expected for the entire year.

2. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Camco and its wholly-owned subsidiary, Advantage Bank (Advantage or the Bank). All significant intercompany balances and transactions have been eliminated.

On March 31, 2011, Camco Financial Corporation dissolved Camco Title Agency, Inc. and sold certain of its assets to a third party. The balance sheet and results of operations of Camco Title are not material to the Corporation s consolidated financial statements. For the three months ended March 31, 2011, Camco Title s operations resulted in net income of $15,000.

3. Critical Accounting Policies

Management s Discussion and Analysis of Financial Condition and Results of Operations, as well as disclosures found elsewhere in this quarterly report, are based upon Camco s consolidated financial statements, which are prepared in accordance with US GAAP. The preparation of these financial statements requires Camco to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Several factors are considered in determining whether or not a policy is critical in the preparation of financial statements. These factors include, among other things, whether the estimates are significant to the financial statements, the nature of the estimates, the ability to readily validate the estimates with other information including third parties or available prices, and sensitivity of the estimates to changes in economic conditions and whether alternative accounting methods may be utilized under US GAAP.

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of mortgage servicing rights and the valuation of deferred tax assets. Actual results could differ from those estimates.

We believe the accounting estimates related to the allowance for loan losses, the capitalization, amortization, and valuation of mortgage servicing rights, deferred income taxes and other real estate are critical accounting estimates because: (1) the estimates are highly susceptible to change from period to period because they require us to make assumptions concerning the changes in the types and volumes of the portfolios, rates of future prepayments, and anticipated economic conditions, and (2) the impact of recognizing an impairment or loan loss could have a material effect on Camco s assets reported on the balance sheet as well as its net earnings.

Allowance for Loan Losses

The procedures for assessing the adequacy of the allowance for loan losses reflect management s evaluation of credit risk after careful consideration of all information available to management. In developing this assessment, management must rely on estimates and exercise judgment regarding matters where the ultimate outcome is unknown such as economic factors, developments affecting companies in specific industries and issues with respect to single borrowers. Depending on changes in circumstances, future assessments of credit risk may yield materially different results, which may require an increase or a decrease in the allowance for loan losses.

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Each quarter, management analyzes the adequacy of the allowance for loan losses based on review of the loans in the portfolio along with an analysis of external factors (including current economy, unemployment rates, housing price depreciation, etc.) and historical delinquency and loss trends. The allowance is developed through specific components: 1) the specific allowance for loans subject to individual analysis, 2) the allowance for classified loans not otherwise subject to individual analysis and 3) the allowance for non-classified loans (primarily homogenous).

Classified loans with indication or acknowledgment of deterioration are subject to individual analysis. Loan classifications are those used by regulators consisting of Special Mention, Substandard, Doubtful and Loss. In evaluating these loans for impairment, the measure of expected loss is based on the present value of the expected future cash flows discounted at the loan s effective interest rate, a loan s observable market price or the fair value of the collateral if the loan is collateral dependent. All other classified assets and non-classified assets are combined with the homogenous loan pools and segregated into collateral codes. Loss rate factors are developed for each collateral code which is used to estimate losses and determine an allowance. The loss factors for each code are derived from historical delinquency, classification, and charge-off rates and adjusted for economic factors and an estimated loss scenario. While the Corporation strives to reflect all known risk factors in its evaluations, these evaluations are by their nature imprecise and based in part on factors beyond the Bank s control.

The allowance is reviewed by management to determine whether the amount is considered adequate to absorb probable, incurred losses inherent in the loan portfolio. Management s evaluation of the adequacy of the allowance is an estimate based on management s current judgment about the credit quality of the loan portfolio. This evaluation includes specific loss estimates on certain individually reviewed loans, statistical loss estimates for collateral codes that are based on historical loss experience, and general loss estimates that are based upon the size, quality, and concentration characteristics of the various loan portfolios, adverse situations that may affect a borrower s ability to repay, and current economic and industry conditions. Also considered as part of that judgment is a review of the Bank s trends in delinquencies and loan losses, as well as trends in delinquencies and losses for the region and nationally, and economic factors. While the Corporation strives to reflect all known risk factors in its evaluations, these evaluations are by their nature imprecise and based in part on factors beyond the Bank s control.

Mortgage Servicing Rights

To determine the fair value of its mortgage servicing rights (MSRs) each reporting quarter, the Corporation provides information to a third party valuation firm, representing loan information in each pooling period accompanied by escrow amounts. The third party then evaluates the possible impairment of MSRs as described below.

MSRs are recognized as separate assets or liabilities when loans are sold with servicing retained. A pooling methodology, in which loans with similar characteristics are pooled together, is applied for valuation purposes. Once pooled, each grouping of loans is evaluated on a discounted earnings basis to determine the present value of future earnings that the Bank could expect to realize from the portfolio. Earnings are projected from a variety of sources including loan service fees, net interest earned on escrow balances, miscellaneous income and costs to service the loans. The present value of future earnings is the estimated fair value for the pool, calculated using consensus assumptions that a third party purchaser would utilize in evaluating a potential acquisition of the MSRs.

Events that may significantly affect the estimates used are changes in interest rates and the related impact on mortgage loan prepayment speeds and the payment performance of the underlying loans. The interest rate for net interest earned on escrow balances, which is supplied by management, takes into consideration the investment portfolio average yield as well as current short duration investment yields. Management believes this methodology provides a reasonable estimate. Mortgage loan prepayment speeds are calculated by the third party provider utilizing the Economic Outlook as published by the Office of Chief Economist of Freddie Mac in estimating prepayment speeds and provides a specific scenario with each evaluation. Based on the assumptions discussed, pre-tax projections are prepared for each pool of loans serviced. These earnings figures approximate the cash flow that could be received from the servicing portfolio. Valuation results are presented quarterly to management. At that time, management reviews the information and MSRs are marked to lower of amortized cost or fair value for the current quarter.

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Federal Income Taxes

Camco recognizes expense for federal income taxes currently payable as well as for deferred federal taxes for estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the consolidated balance sheets. Realization of a deferred tax asset is dependent upon generating sufficient taxable income in the carry forward periods to cover net operating losses generated by the reversal of temporary differences. A valuation allowance is provided by way of a charge to income tax expense if it is determined that it is more likely than not that some or all of the deferred tax asset will not be realized. If different assumptions and conditions were to prevail, the valuation allowance may not be adequate to absorb unrealized deferred taxes and the amount of income taxes payable may need to be adjusted by way of a charge or credit to expense.

Income tax returns are subject to audit by the IRS. Income tax expense for current and prior periods is subject to adjustment based upon the outcome of such audits. During 2011, the IRS began an examination of the Company s tax returns for the year ended December 31, 2009. Accrual of income taxes payable and valuation allowances against deferred tax assets are estimates subject to change based upon the outcome of future events.

Other Real Estate

Assets acquired through or instead of foreclosure, primarily other real estate owned, are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. New real estate appraisals are generally obtained at the time of foreclosure and are used to establish fair value. If fair value declines, a valuation allowance is recorded through expense. Estimating the initial and ongoing fair value of these properties involves a number of factors and judgments including holding time, costs to complete, holding costs, discount rate, absorption and other factors.

4. Earnings Per Share

Basic earnings per common share is computed based upon the weighted-average number of common shares outstanding during the period. Diluted earnings per common share is computed including the dilutive effect of additional potential common shares issuable under outstanding stock options. The computations were as follows for the periods ending June 30, 2011 and 2010.

	September 30,	September 30,	September 30,	September 30,
	For the six months ended June 30,		For the three months ended June 30,	
	2011	2010	2011	2010
	(In thousands, except per share information)			
BASIC:				
Net Loss	$ (811)	$ (3,970)	$ (1,463)	$ (4,099)
Weighted average common shares outstanding	7,206	7,206	7,206	7,206
Basic loss per share	**$ (0.11)**	**$ (0.55)**	**$ (0.20)**	**$ (0.57)**
DILUTED:				
Net Loss	$ (811)	$ (3,970)	$ (1,463)	$ (4,099)
Weighted average common shares outstanding	7,206	7,206	7,206	7,206
Dilutive effect of stock options				
Total common shares and dilutive potential common shares	7,206	7,206	7,206	7,206
Diluted loss per share	**$ (0.11)**	**$ (0.55)**	**$ (0.20)**	**$ (0.57)**

Anti-dilutive options to purchase 604,583 and 480,092 shares of common stock with respective weighted-average exercise prices of $4.97 and $13.86 were outstanding at June 30, 2011 and 2010, respectively, but were excluded from the computation of common share equivalents for each of the six months ended, because the exercise prices were greater than the average market price of the common shares.

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Anti-dilutive options to purchase 609,583 and 480,092 shares of common stock with respective weighted-average exercise prices of $4.93 and $13.86 were outstanding at June 30, 2011 and 2010, respectively, but were excluded from the computation of common share equivalents for each of the three month periods, because the exercise prices were greater than the average market price of the common shares.

5. Stock Option Plans

The Corporation follows a fair-value based method for valuing stock-based compensation that measures compensation cost at the grant date based on the fair value of the award.

The fair value of each option grant is estimated on the date of grant using the modified Black-Scholes options-pricing model. The following table details the fair value and assumptions used to value stock options as of the grant date that were granted during the six months ended June 30, 2011 and 2010:

	September 30, 2011		September 30, 2010	
Fair value, calculated	$	1.49	$	1.65
Exercise Price	$	2.14	$	2.51
Risk-free interest rate		3.58%		3.61%
Expected stock price volatility		57.30%		51.62%
Expected dividend yield				
Expected Life		10 years		10 years

A summary of the status of the Corporation s stock option plans as of June 30, 2011 and December 31, 2010, and changes during the periods ending on those dates is presented below:

	September 30,	September 30,		September 30,	September 30,	
	Six Months ended June 30, 2011			Year ended December 31, 2010		
	Shares	Weighted-average exercise price		Shares	Weighted-average exercise price	
Outstanding at beginning of period	463,642	$	$5.84	260,833	$	10.59
Granted	161,538		2.14	260,729		2.51
Exercised						
Forfeited	(15,597)		3.06	(57,920)		12.21
Expired						
Outstanding at end of period	**609,583**	**$**	**4.93**	**463,642**	**$**	**5.84**
Options exercisable at period end	**339,264**	**$**	**6.92**	**257,037**	**$**	**8.24**
Weighted-average fair value of options granted during the year		**$**	**1.49**		**$**	**1.65**

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The following information applies to options outstanding at June 30, 2011:

	September 30,	September 30,	September 30, Options Outstanding	September 30,		September 30, Options Exercisable	September 30,	
Range of Exercise Prices		**Number Outstanding**	**Weighted-Average Remaining Contractual Life (Years)**		**Weighted-Average Exercise Price**	**Number Exercisable**		**Weighted-Average Exercise Price**
$1.90 - $2.51		475,746	8.8	$	2.39	209,263	$	2.44
$8.92		20,988	6.6		8.92	17,122		8.92
$11.36 - $14.16		56,974	4.1		13.44	56,974		13.44
$16.13 - $17.17		55,875	2.9		16.45	55,875		16.45
		609,583	7.8	$	4.93	339,264	$	6.92

6. Fair Value

The carrying value of certain financial assets and liabilities is impacted by the application of fair value measurements, either directly or indirectly. In certain cases, an asset or liability is measured and reported at fair value on a recurring basis, such as available-for-sale investment securities. In other cases, management must rely on estimates or judgments to determine if an asset or liability not measured at fair value warrants an impairment write-down or whether a valuation reserve should be established. Given the inherent volatility, the use of fair value measurements may have a significant impact on the carrying value of assets or liabilities, or result in material changes to the financial statements, from period to period.

The following methods and assumptions were used by the Corporation in estimating its fair value disclosures for financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Cash and Cash Equivalents: The carrying amount reported in the consolidated statements of financial condition for cash and cash equivalents is deemed to approximate fair value.

Investment Securities: Fair value for investment securities is based on quoted market prices and dealer quotes.

Loans Held for Sale: Fair value for loans held for sale is the contracted sales price of loans committed for delivery, which is determined on the date of sale commitment.

Loans Receivable: The loan portfolio has been segregated into categories with similar characteristics, such as one- to four-family residential real estate, multi-family residential real estate, installment and other. These loan categories were further delineated into fixed-rate and adjustable-rate loans. The fair values for the resultant loan categories were computed via discounted cash flow analysis, using current interest rates offered for loans with similar terms to borrowers of similar credit quality.

Federal Home Loan Bank Stock: The carrying amount presented in the consolidated statements of financial condition is deemed to approximate fair value.

Accrued Interest Receivable and Payable: The carrying value for accrued interest approximates fair value.

Deposits: The fair values of deposits with no stated maturity, such as money market demand deposits, savings and NOW accounts have been analyzed by management and assigned estimated maturities and cash flows which are then discounted to derive a value. The fair value of fixed-rate certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities.

Advances from the Federal Home Loan Bank: The fair value of these advances is estimated using the rates currently offered for similar advances of similar remaining maturities or, when available, quoted market prices.

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Repurchase Agreements: The fair value of repurchase agreements is based on the discounted value of contractual cash flows using rates currently offered for similar maturities.

Subordinated Debentures: The fair value of subordinated debentures is based on the discounted value of contractual cash flows using rates currently offered for smaller maturities.

Advances by Borrowers for Taxes and Insurance: The carrying amount of advances by borrowers for taxes and insurance is deemed to approximate fair value.

Based on the foregoing methods and assumptions, the carrying value and fair value of the Corporation s financial instruments are as follows:

	September 30,	September 30,	September 30,	September 30,
	June 30, 2011		December 31, 2010	
	Carrying value	Fair value	Carrying value	Fair value
		(In thousands)		
Financial assets				
Cash and cash equivalents	$ 42,382	$ 42,382	$ 29,114	$ 29,114
Investment securities available for sale	10,921	10,921	30,768	30,768
Investment securities held to maturity	3,663	3,712	3,948	3,993
Loans held for sale	3,699	3,775	2,208	2,254
Loans receivable	639,683	641,459	667,840	643,646
Federal Home Loan Bank stock	9,888	9,888	29,888	29,888
Accrued interest receivable	3,164	3,164	3,521	3,521
Financial liabilities				
Deposits	$ 631,647	$ 619,677	$ 651,816	$ 642,893
Advances from the Federal Home Loan Bank	68,765	73,375	92,934	97,711
Repurchase agreements	6,715	6,715	6,530	6,530
Subordinated debentures	5,000	4,883	5,000	4,839
Advances by borrowers for taxes and insurance	488	488	2,413	2,413
Accrued interest payable	1,582	1,582	1,646	1,646

Listed below are three levels of inputs that Camco uses to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Level 1 inputs for assets or liabilities that are not actively traded. Also consists of an observable market price for a similar asset or liability. This includes the use of matrix pricing used to value debt securities absent the exclusive use of quoted prices.

Level 3: Consists of unobservable inputs that are used to measure fair value when observable market inputs are not available. This could include the use of internally developed models, financial forecasting, etc.

Fair value is defined as the price that would be received to sell an asset or transfer a liability between market participants at the balance sheet date. When possible, the Corporation looks to active and observable markets to price identical assets or liabilities. When identical assets and liabilities are not traded in active markets, the Corporation looks to observable market data for similar assets and liabilities. However, certain assets and liabilities are not traded in observable markets and Camco must use other valuation methods to develop a fair value. The fair value of impaired loans is based on the fair value of the underlying collateral, which is estimated through third party appraisals or internal estimates of collateral values.

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The following table presents financial assets and liabilities measured on a recurring basis:

	September 30,	September 30,	September 30,	September 30,
		Fair Value Measurements at Reporting Date Using		
(in thousands)	Balance	Level 1	Level 2	Level 3
June 30, 2011				
Securities available for sale:				
U.S. government sponsored enterprises	$ 9,076	$	9,076	$
Corporate equity securities	95		52	43
Mortgage-backed securities	1,750		1,750	
December 31, 2010				
Securities available for sale:				
U.S. government sponsored enterprises	$ 2,065	$	$ 2,065	$
Corporate equity securities	98		55	43
Mortgage-backed securities	28,605		28,605	

The following table presents financial assets and liabilities measured on a non-recurring basis:

		Fair Value Measurements at Reporting Date Using		
(in thousands)	Balance	Level 1	Level 2	Level 3
June 30, 2011				
Impaired loans	$ 20,432			$ 20,432
Real estate acquired through foreclosure	14,216			14,216
December 31, 2010				
Impaired loans	$ 20,518			$ 20,518
Real estate acquired through foreclosure	10,096			10,096

Impaired loans are measured and reported at fair value when management believes collection of contractual interest and principal payments is doubtful. Management s determination of the fair value for these loans represents the estimated net proceeds to be received from the sale of the collateral based on observable market prices and market value provided by independent, licensed or certified appraisers.

Fair value for real estate acquired through foreclosure is generally determined by obtaining recent appraisals on the properties. Other types of valuing include broker price opinions and valuations pertaining to the current and anticipated deterioration in the regional economy and real estate market, as evidenced by, among other things, changes in the local population, unemployment rates, increasing vacancy rates, borrower delinquencies, declining property values and rental prices, differences between foreclosure appraisals and real estate owned sales prices, and an increase in concessions and other forms of discounting or other items approved by our asset classification committee. The fair value under such appraisals is determined by using one of the following valuation techniques: income, cost or comparable sales. The fair value is then reduced by management s estimate for the direct costs expected to be incurred in order to sell the property. Holding costs or maintenance expenses are recorded as period costs when occurred and are not included in the fair value estimate.

7. Allowance for Loan Losses

The allowance for loan losses is a reserve established through a provision which is charged to expense and represents management s best estimate of probable losses that could be incurred within the existing portfolio of loans. The allowance is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The Corporation s allowance for possible loan loss methodology is based on historical loss experience by type of credit and internal risk grade, specific

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homogeneous risk pools and specific loss allocations, with adjustments for current events and conditions. The provision for possible loan losses reflects loan quality trends, including the levels of and trends related to non-accrual loans, past due loans, potential problem loans, criticized loans and net charge-offs or recoveries, among other factors. The amount of the provision reflects not only the necessary allowance for possible loan losses related to newly identified criticized loans, but it also reflects actions taken related to other loans including, among other things, any necessary increases or decreases in required allowances for specific loans or loan pools.

The current level of the allowance is directionally consistent with classified assets, non-accrual loans and delinquency. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond the Corporation s control, including, among other things, the performance of the Corporation s loan portfolio, the economy, changes in interest rates and comments of the regulatory authorities toward loan classifications.

The Corporation s allowance for possible loan losses consists of three elements: (i) specific valuation allowances on probable losses on specific loans; (ii) historical valuation allowances based on historical loan loss experience for similar loans with similar characteristics and trends, adjusted, as necessary, to reflect the impact of current conditions; and (iii) general valuation allowances based on general economic conditions and other qualitative risk factors both internal and external to the Corporation.

Loans identified as losses by management, internal loan review and/or bank examiners are charged-off. Furthermore, consumer loan accounts are charged-off automatically based on regulatory requirements.

Change in the allowance for loan losses and loan balances as of June 30, 2011 are summarized as follows:

(in thousands)	Septr 30, Construction	Septr 30, Consumer	Septr 30, Multi-Family	Septr 30, Land, Farm & Ag Loans	Septr 30, Residential	Septr 30, Commercial & Non-Residential	Septr 30, Commercial and Industrial	Septr 30, Total
Allowance for credit losses:								
Beginning balance December 31, 2010	$ 166	$ 246	$ 2,860	$ 849	$ 8,050	$ 3,638	$ 1,061	$ 16,870
Charge-offs		(57)	(33)	(107)	(1,447)	(579)	(9)	(2,232)
Recoveries		2	116	204	383	109	89	903
Provision (1)	(141)	(77)	(10)	(318)	1,988	1,934	(566)	2,810
Ending balance June 30, 2011	$ 25	$ 114	$ 2,933	$ 628	$ 8,974	5,102	$ 575	$ 18,351
Ending balance								
Individually evaluated for impairment	$	$	$ 666	$	$ 1,034	$ 2,661	$ 33	$ 4,394
Collectively evaluated for impairment	$ 25	$ 114	$ 2,267	$ 628	7,940	$ 2,441	$ 542	$ 13,957
Portfolio balances:								
Collectively evaluated for impairment	$ 44,501	$ 3,506	$ 73,645	$ 13,536	$ 332,875	$ 138,606	$ 32,282	$ 638,951
Individually evaluated for impairment								
With no related allowance			24	1,037	397	893		2,351
With related allowance			4,032	183	5,342	8,126	397	18,081
Ending balance	$ 44,501	$ 3,506	$ 77,701	$ 14,757	$ 338,614	$ 147,625	$ 32,679	$ 659,383

(1) Reclassifications of portfolio balance between Commercial and Industrial and Commercial & Non-Residential created a portion of the change in provision for the current period.

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Change in the allowance for loan losses for the year ended December 31, 2010 and loan balances as of December 31, 2010 are summarized as follows:

(in thousands)	Septr 30, Construction	Septr 30, Consumer	Septr 30, Multi-Family	Septr 30, Land, Farm & Ag Loans	Septr 30, Residential	Septr 30, Commercial & Non-Residential	Septr 30, Commercial and Industrial	Septr 30, Total
Allowance for credit losses:								
Beginning balance January 1, 2010	$ 338	$ 98	$ 731	$ 628	$ 10,519	$ 3,148	$ 637	$ 16,099
Charge-offs	(482)	(28)	(1,535)	(2,283)	(7,530)	(3,688)	(3,399)	(18,945)
Recoveries	39	9	103	247	490	157	211	1,256
Provision	271	167	3,561	2,257	4,571	4,021	3,612	18,460
Ending balance December 31, 2010	$ 166	$ 246	$ 2,860	$ 849	$ 8,050	$ 3,638	$ 1,061	$ 16,870
Ending balance								
Individually evaluated for impairment	$	$	$	$	$ 256	$ 1,171	$ 170	$ 1,597
Collectively evaluated for impairment	$ 166	$ 246	$ 2,860	$ 849	$ 7,794	$ 2,467	$ 891	$ 15,273
Portfolio balances:								
Collectively evaluated for impairment	$ 26,530	$ 3,828	$ 71,162	$ 10,905	$ 369,755	$ 155,326	$ 27,607	$ 665,113
Individually evaluated for impairment								
With no related allowance			3,180	1,549	3,122	4,122	706	12,679
With related allowance					2,706	4,503	630	7,839
Ending balance	$ 26,530	$ 3,828	$ 74,342	$ 12,454	$ 375,583	$ 163,951	$ 28,943	$ 685,631

Non-accrual and Past Due Loans. Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on non-accrual status when, the loan is more than three payments past due as well as when required by regulatory provisions. Loans may be placed on non-accrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is recognized when the loan is returned to accrual status and all the principal and interest amounts contractually due are brought current for a minimum of six months or future payments are reasonably assured.

The following table details non-accrual loans at June 30, 2011 and December 31, 2010:

(in thousands)	September 30, Non-Accrual June 30, 2011	September 30, Non-Accrual December 31, 2010
Construction	$ 22	$ 1,791
Land, Farmland, Ag Loans	381	
Residential	18,810	21,498
Commercial	6,207	7,717
Consumer	86	39
Commercial and industrial	68	706
Multi Family	495	2,028
Total	$ 26,069	$ 33,779

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An age analysis of past due loans, segregated by class of loans were as follows:

June 30, 2011 **(in thousands)**	**September 30,** **Loans 30-59 Days Past Due**	**September 30,** **Loans 60 - 89 or More Days Past Due**	**September 30,** **Loans 90+ Days Past Due**	**September 30,** **Total Past Due**	**September 30,** **Current**	**September 30,** **Total Loans**	**September 30,** **Accruing Loans 90 Days Past Due**
Construction	$	$	$	$ 0	$ 44,501	$ 44,501	$
Land, Farmland, Ag Loans	73		164	237	14,520	14,757	
Residential / prime	1,425	319	4,778	6,522	249,900	256,422	
Residential / subprime	5,783	846	9,360	15,989	66,203	82,192	
Commercial			4,605	4,605	143,020	147,625	
Consumer	2	39	34	75	3,431	3,506	
Commercial and industrial	16		68	84	32,595	32,679	
Multi Family			495	495	77,206	77,701	
Total	$ 7,299	$ 1,204	$ 19,504	$ 28,007	$ 631,376	$ 659,383	$

December 31, 2010 **(in thousands)**	**Loans 30-59 Days Past Due**	**Loans 60 - 89 or More Days Past Due**	**Loans 90+ Days Past Due**	**Total Past Due**	**Current**	**Total Loans**	**Accruing Loans 90 Days Past Due**
Construction	$ 75	$	$ 1,057	$ 1,132	$ 25,398	$ 26,530	$
Land, Farmland, Ag Loans					12,454	12,454	
Residential / prime	624	343	5,366	6,333	280,266	286,599	
Residential / subprime	5,077	1,451	11,119	17,647	71,337	88,984	
Commercial		2,766	3,301	6,067	157,884	163,951	
Consumer	36	3	18	57	3,771	3,828	
Commercial and industrial	85		706	791	28,152	28,943	
Multi Family	85		1,685	1,770	72,572	74,342	
Total	$ 5,982	$ 4,563	$ 23,252	$ 33,797	$ 651,834	$ 685,631	$

Although we believe that the allowance for loan losses at June 30, 2011 is adequate to cover losses inherent in the loan portfolio at that date based upon the available facts and circumstances, there can be no assurance that additions to the allowance for loan losses will not be necessary in future periods, which could adversely affect our results of operations. Unemployment rates in our markets and Ohio in general, are close to the National average, but we are still experiencing some decline in values of residential real estate. Ohio in general has not experienced significant increases in home values over the past five years like many regions in the U.S., which should comparatively mitigate losses on loans. Nonetheless, these factors, compounded by a very uncertain national economic outlook, may continue to increase the level of future losses beyond our current expectations.

Impaired loans. Loans are considered impaired when, based on current information and events, it is probable Advantage will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impairment is evaluated in total for smaller-balance loans of a similar nature and on an individual loan basis for other larger commercial credits. If a loan is impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, of collateral if payment is expected solely from the collateral or at the present value of estimated future cash flows using the loan s existing rate or at the loan s fair sale value. Interest payments on impaired loans are typically applied to principal unless collectability of the principal amount is reasonably assured in which case interest is recognized on an accrual basis. Impaired loans or portions of loans are charged off when deemed uncollectible.

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We have included the following information with respect to impairment measurements relating to collateral-dependent loans for better understanding of our process and procedures relating to fair value of financial instruments:

Based on policy, a loan is typically deemed impaired (non-performing) once it has gone over three payments or 90 days delinquent. Our management of the troubled credit will vary as will the timing of valuations, loan loss provision and charge offs based on a multitude of factors such as, cash flow of the business/borrower, responsiveness of the borrower, communication with the commercial banker, property inspections, property deterioration, and delinquency. Typically, a nonperforming, non-homogeneous collateral dependent loan will be valued and adjusted (if needed) within a time frame as short as 30 days or as many as 180 days after determination of impairment. If impaired, the collateral is then evaluated and an updated appraisal is most typically ordered. Upon receipt of an appraisal or other valuation, we complete an analysis to determine if the impaired loan requires a specific reserve or to be charged down to estimated net realizable value. The time frame may be as short as 30 days or as much as 180 days, when an appraisal is ordered.

Camco s credit risk management process consistently monitors key performance metrics across both the performing and non-performing assets to identify any further degradation of credit quality. Additionally, impaired credits are monitored in weekly loan committee asset quality discussions, monthly Asset Classification Committee meetings and quarterly loan loss reserve reviews. Strategy documents and exposure projections are completed on a monthly basis to ensure that the current status of the troubled asset is clearly understood and reported.

The Asset Classification Committee oversees the management of all impaired loans and any subsequent loss provision or charge off that is considered. When a loan is deemed impaired, the valuation is obtained to determine any existing loss that may be present as of the valuation date. Policy dictates that any differences from fair market value, less costs to sell, are to be recognized as loss during the current period (loan loss provision or charge off). Any deviations from this policy will be identified by amount and contributing reasons for the policy departure during our quarterly reporting process.

Camco s policies dictate that an impaired loan subject to partial charge off will remain in a nonperforming status until it is brought current. Typically, this occurs when a loan is paid current and completes a period of on-time payments that demonstrate that the loan can perform and/or there is some certainty payments will continue. Camco monitors through various system reports any loan whose terms have been modified. These reports identify troubled debt restructures, modifications, and renewals.

When circumstances do not allow for an updated appraisal or Camco determines that an appraisal is not needed, the underlying collateral s fair market value is estimated in the following ways:

- Camco s personnel property inspections combined with original appraisal review
- Broker price opinions
- Various on-line fair market value estimation programs (i.e. Freddie Mac, Fannie Mae, etc).

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Impaired loans are set forth in the following table:

June 30, 2011 (in thousands)	September 30, Recorded Investment	September 30, Unpaid Principal Balance	September 30, Related Allowance	September 30, Average Recorded Investment	September 30, Interest Income Recognized
With no related allowance recorded:					
Construction	$	$	$	$	$
Land, Farmland, Ag Loans	1,037	1,037		1,095	23
Residential	397	1,181		398	
Commercial	893	2,762		901	
Consumer					
Multi Family	24	253		66	
Total	$ 2,351	$ 5,233	$	$ 2,460	$ 23
With a related specific allowance recorded:					
Construction	$	$	$	$	$
Land, Farmland, Ag Loans	183	183	16	165	22
Residential	5,343	6,100	1,018	5,624	63
Commercial	8,126	8,345	2,661	8,149	106
Consumer					
Commercial and industrial	397	397	33	406	10
Multi Family	4,032	4,755	666	4,046	95
Total	$ 18,081	$ 19,780	$ 4,394	$ 18,390	$ 296

December 31, 2010 (in thousands)	September 30, Recorded Investment	September 30, Unpaid Principal Balance	September 30, Related Allowance	September 30, Average Recorded Investment	September 30, Interest Income Recognized
With no related allowance recorded:					
Construction	$ 1,549	$ 5,558	$	$ 3,389	$
Land, Farmland, Ag Loans					
Residential	3,122	4,854		3,866	19
Commercial	4,122	8,239		5,765	6
Consumer					
Commercial and industrial	706	1,208		1,035	11
Multi Family	3,180	5,166		3,786	3
Total	$ 12,679	$ 25,025	$	$ 17,841	$ 39
With a related specific allowance recorded:					
Construction	$	$	$	$	$
Land, Farmland, Ag Loans					
Residential	2,706	3,306	256	3,078	
Commercial	4,503	4,521	1,171	4,589	131
Consumer					

Commercial and industrial	630	630	170	383	
Multi Family					
Total	$ 7,839	$ 8,457	$ 1,597	$ 8,050	$ 131

The Corporation categorizes loans and leases into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Corporation analyzes loans and leases individually by classifying the loans and leases as to credit risk. The loans monitored utilizing the risk categories listed below refer to commercial, commercial and industrial, construction, land, farmland and agriculture loans. All non-homogeneous loans are monitored through delinquency reporting. This analysis is performed on a quarterly basis. The Corporation uses the following definitions for risk ratings:

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Uncriticized Assets

Uncriticized assets exhibit no material problems, credit deficiencies or payment problems. These assets generally are well protected by the current net worth and paying capacity of the obligor or by the value of the asset or underlying collateral. Such credits are graded as follows: Excellent (1), Good (2) or Satisfactory (3).

Watch (Grade 4)

Watch rated credits are of acceptable credit quality, but exhibit one or more characteristics which merit closer monitoring or enhanced structure. Such characteristics include higher leverage, lower debt service coverage, industry issues or a construction loan without preleasing commitments (generally multifamily projects).

Special Mention Assets (Grade 5)

Special Mention Assets have potential weaknesses or pose financial risk that deserves management s close attention. If left uncorrected, these weaknesses may result in deterioration of the repayment prospects for the asset or in the Bank s credit position at some future date. Special Mention Assets are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification.

Substandard Assets (Grade 6)

An asset classified Substandard is protected inadequately by the current net worth and paying capacity of the obligor, or by the collateral pledged, if any. Assets so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. The possibility that liquidation would not be timely requires a substandard classification even if there is little likelihood of total loss.

Assets classified as Substandard may exhibit one or more of the following weaknesses:

- The primary source of repayment is gone or severely impaired and the Bank may have to rely upon a secondary source.
- Loss does not seem likely but sufficient problems have arisen to cause the Bank to go to abnormal lengths to protect its position in order to maintain a high probability of repayment.
- Obligors are unable to generate enough cash flow for debt reduction.
- Collateral has deteriorated.
- The collateral is not subject to adequate inspection and verification of value (if the collateral is expected to be the source of repayment).
- Flaws in documentation leave the Bank in a subordinated or unsecured position if the collateral is needed for the repayment of the loan.

For assets secured by real estate, the appraisal does not conform to FDIC appraisal standards or the assumptions underlying the appraisal are demonstrably incorrect.

Doubtful Assets (Grade 7)
An asset classified Doubtful has all the weaknesses inherent in one classified as Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss Assets (Grade 8)
An asset, or portion thereof, classified loss is considered uncollectible and of such little value that its continuance on the books is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value; rather, it is not practical or desirable to defer writing off an essentially worthless asset (or portion thereof), even through partial recovery may occur in the future.

Loans and leases not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans and leases.

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Based on the most recent analysis performed, the risk category of non-homogenous loans and leases is as follows:

	September 30,	September 30,	September 30,	September 30,	September 30,
			(Dollars in Thousands)		
June 30, 2011	**Pass**	**Watch**	**Special Mention**	**Substandard**	**Total**
Construction	$ 27,632	$ 16,847	$	$ 22	$ 44,501
Land, Farmland, Ag Loans	12,781	182		1,794	14,757
Commercial	104,595	20,285	1,686	21,059	147,625
Commercial and industrial	26,327	5,649	129	584	32,679
Multi Family*	57,171	13,822	1,989	4,719	77,701
Total	$ 228,506	$ 56,775	$ 3,803	$ 28,179	$ 317,263

December 31, 2010	**Pass**	**Watch**	**Special Mention**	**Substandard**	**Total**
Construction	$ 12,743	$ 10,514	$ 329	$ 2,944	$ 26,530
Land, Farmland, Ag Loans	11,822	632			12,454
Commercial	124,478	11,982	6,158	21,333	163,951
Commercial and industrial	22,488	4,416	165	1,874	28,943
Multi Family*	66,074	1,861	3,227	3,180	74,342
Total	$ 237,605	$ 29,405	$ 9,879	$ 29,331	$ 306,220

Homogeneous loans are monitored at 60+ days delinquent. See the above schedule related to change in allowance for loans which includes all class of loans including the loans related to residential and consumer.

* The increase in Multi Family is principally due to multi-family construction loans that have not yet stabilized.

8. Recent Accounting Pronouncements

FASB ASU 2011-02, *A Creditor s Determination of Whether a Restructuring Is a Troubled Debt Restructuring*. In April 2011, the FASB issued ASU 2011-02, which provides additional guidance to help creditors in determining whether a creditor has granted a concession and whether a debtor is experiencing financial difficulties for purposes of determining whether a restructuring constitutes a troubled debt restructuring. The amendments in this update are effective for the Corporation beginning in the quarter ended September 30, 2011 and are to be applied retrospectively to January 1, 2011. In addition, the modification disclosures described in ASU 2010-20, which were subsequently deferred by ASU 2011-01, *Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings*, will be effective on a prospective basis beginning in the quarter ended September 30, 2011. The Corporation has not completed an evaluation of the impact of ASU 2011-02 on its consolidated financial statements.

The FASB has issued ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.* This ASU represents the converged guidance of the FASB and the IASB (the Boards) on fair value measurement. The collective efforts of the Boards and their staffs, reflected in ASU 2011-04, have resulted in common requirements for measuring fair value and for disclosing information about fair value measurements, including a consistent meaning of the term fair value. The Boards have concluded the common requirements will result in greater comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRSs. The amendments to the Codification in this ASU are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. Early application by public entities is not permitted. The impact of adoption of this ASU is not expected to be material.

FASB ASU 2011-05, *Presentation of Comprehensive Income.* In June 2011, the FASB issued ASU 2011-05, which provides entities with the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income, along with a total for other comprehensive income, and a total amount for comprehensive income. Regardless of whether an entity chooses to present comprehensive income in a single continuous statement or in two separate but consecutive statements, the entity is required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. This update should be applied retrospectively effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. We anticipate this statement will be adopted with our 2012 annual financial statements.

9. Restatement of Previously Issued Financial Statement

Subsequent to the Corporation s filing of its Quarterly Report on Form 10-Q for the three months ended June 30, 2011, the Board of Directors of the Corporation and Advantage received notice from Advantage s regulators, the FDIC and Ohio Department of Financial Institutions (ODFI), that Advantage must restate its Call Report previously filed with the FDIC for the quarters ended June 30 and September 30, 2011. As a result, Camco also had to amend its Y9C and Y9LP as of and for the six months ended June 30, 2011. None of the amounts as of December 31, 2010 in the accompanying condensed consolidated financial statements have been restated.

As a result of the restatement, the following line items were adjusted:	September 30, Restated	September 30, Previously Reported	September 30, Effect of Change
Consolidated Balance Sheet at June 30, 2011 (unaudited):			
Loans receivable net	$ 639,683	$ 641,283	$ (1,600)
Total assets	765,926	767,526	(1,600)
Retained earnings	(675)	925	(1,600)
Total stockholders equity	44,495	46,095	(1,600)
Total liabilities and stockholders equity	765,926	767,526	(1,600)
Consolidated Statements of Operations (unaudited)			
Three Months ended June 30, 2011			
Provision for losses on loans	$ 1,797	$ 197	$ 1,600
Net interest income after provision for losses on loans	4,639	6,239	1,600
Earnings (Loss) before federal income tax expenses (benefit)	(1,474)	126	(1,600)
Net earnings (loss)	(1,463)	137	(1,600)
Comprehensive income (loss)	(1,442)	158	(1,600)
Earnings (loss) per share			
Basic	(.20)	.02	(.22)
Diluted	(.20)	.02	(.22)
Consolidated Statements of Operations (unaudited)			
Six Months ended June 30, 2011			
Provision for losses on loans	$ 2,810	$ 1,210	$ 1,600
Net interest income after provision for losses on loans	10,236	11,836	1,600
Earnings (loss) before federal income tax expenses (benefit)	(274)	1,326	(1,600)
Net earnings (loss)	(811)	789	(1,600)
Comprehensive income (loss)	(1,044)	556	(1,600)
Earnings (loss) per share			
Basic	(.11)	11	(.22)
Diluted	(.11)	.11	(.22)
Consolidated Statements of Cash Flows (unaudited)			
Six Months Ended June 30, 2011			
Net earnings (loss) for the period	$ (811)	$ 789	$ (1,600)
Provision for losses on loans	2,810	1,210	1,600

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8. Restatement of Previously Issued Financial Statement (continued)

As a result of the restatement, the following line items were adjusted:	September 30, Restated	September 30, Previously Reported	September 30, Effect of Change
Nonaccrual and delinquent loans			
Allowance for loan losses	$ 18,351	$ 16,751	$ 1,600
Non-performing assets to total assets	3.95%	3.94%	.01%
ALLL as a percent of nonperforming loans	5.26%	5.25%	0.01%
ALLL as a percent of nonperforming loans	70.4%	64.3%	6.10%
Allowance for loan losses by loan category			
Construction	$ 25	$ 23	$ 2
Consumer	114	100	14
Multi-Family	2,933	2,632	301
Land, Farm & Ag Loans	628	744	(116)
Residential	8,974	7,967	1,007
Commercial & Non-Residential	5,102	4,782	320
Commercial and Industrial	575	503	72
Total	18,351	16,751	1,600
Collectively evaluated for impairment			
Construction	$ 25	$ 23	$ 2
Consumer	114	100	14
Multi-Family	2,267	1,966	301
Land, Farm & Ag Loans	628	744	(116)
Residential	7,940	6,933	1,007
Commercial & Non-Residential	2,441	2,121	320
Commercial and Industrial	542	470	72
Total	13,957	12,357	1,600
Fair Value of Financial Instruments			
Carrying amount	$ 639,683	$ 641,283	$ (1,600)
Fair value	641,459	643,059	(1,600)
Regulatory Capital Camco Financial Corporation			
Total capital to risk-weighted assets	9.33%	9.57%	(.24)%
Tier 1 capital to risk-weighted assets	8.06%	8.30%	(.24)%
Tier 1 leverage to average assets	6.28%	6.49%	(.21)%
Regulatory Capital Advantage Bank			
Total capital to risk-weighted assets	8.88%	9.12%	(.24)%
Tier 1 capital to risk-weighted assets	7.61%	7.85%	(.24)%
Tier 1 leverage to average assets	5.94%	6.14%	(.20)%
Average Balances, Yield, Rate and Volume Data			
Three Months Ended June 30, 2011			
Noninterest-earning assets	$ 67,405	$ 67,805	$ (400)
Total average assets	780,342	780,742	(400)
Total average shareholders equity	45,613	46,013	(400)
Total liabilities and shareholders equity	780,342	780,742	(400)

As a result of the restatement, the following line items were adjusted:	September 30, Restated	September 30, Previously Reported	September 30, Effect of Change
Average Balances, Yield, Rate and Volume Data			
Six Months Ended June 30, 2011			
Noninterest-earning assets	$ 75,067	$ 75,257	$ (190)
Total average assets	795,613	795,803	(190)
Total average shareholders equity	45,875	46,065	(190)
Total liabilities and shareholders equity	795,613	795,803	(190)
See Item 2 Managements Discussion and Analysis of Financial Condition and Results of Operations for further discussion on the Provisions for Losses on Loans .			

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

Forward Looking Statements

This Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and this Form 10-Q include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934 (Exchange Act), as amended, which can be identified by the use of forward-looking terminology, such as may, might, could, would, believe, expect, intend, plan, seek, anticipate, estimate, project or continue or the negative thereof or comparable terminology. All statements other than statements of historical fact included in this document regarding our outlook, financial position and results of operation, liquidity, capital resources and interest rate sensitivity are forward-looking statements. These forward-looking statements also include, but are not limited to:

- anticipated changes in industry conditions created by state and federal legislation and regulations;
- anticipated changes in general interest rates and the impact of future interest rate changes on our profitability, capital adequacy and the fair value of our financial assets and liabilities;
- retention of our existing customer base and our ability to attract new customers;
- the development of new products and services and their success in the marketplace;
- the adequacy of the allowance for loan losses; and
- statements regarding our anticipated loan and deposit account growth, expense levels, liquidity and capital resources and projections of earnings.

These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results to be materially different from any future results expressed or implied by such forward-looking statements. Although we believe the expectations reflected in such forward-looking statements are reasonable, we can give no assurance such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from those in the forward-looking statements included herein include, but are not limited to:

competition in the industry and markets in which we operate;

changes in general interest rates;

rapid changes in technology affecting the financial services industry;

changes in government regulation; and

general economic and business conditions

This MD&A is intended to give stockholders a more comprehensive review of the issues facing management than could be obtained from an examination of the financial statements alone. This analysis should be read in conjunction with the consolidated financial statements and related footnotes and the selected financial data elsewhere in this annual report. As used herein and except as the context may otherwise require, references to Camco, the Corporation , we, us, or our means, collectively, Camco Financial Corporation and its wholly owned subsi Advantage Bank, and through March 31, 2011, its formerly wholly-owned subsidiary, Camco Title Agency.

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Overview

Management s Discussion and Analysis is intended to give stockholders a more comprehensive review of the issues facing management than could be obtained from an examination of the financial statements alone. This analysis should be read in conjunction with the consolidated financial statements and related footnotes and the selected financial data in the annual report. As used herein and except as the context may otherwise require, references to Camco, the Corporation , we, &#IGN="bottom" STYLE="border-top:1px solid #000000">

Total assets

$1,372.0 $914.6 $825.7 $(1,101.1) $2,011.2

Current portion of long-term debt

$2.1 $8.6 $1.4 $ $12.1

Accounts payable

0.5 74.8 40.1 115.4

Other current liabilities

65.9 51.7 53.0 (1.1) 169.5

Total current liabilities

68.5 135.1 94.5 (1.1) 297.0

Long-term debt, less current portion

1,592.4 40.6 299.2 1,932.2

Other noncurrent liabilities

325.1 102.5 51.6 (83.2) 396.0

Intercompany payables

330.8 103.9 (434.7)

Total liabilities

1,986.0 609.0 549.2 (519.0) 2,625.2

Shareowners equity (deficit)

(614.0) 305.6 276.5 (582.1) (614.0)

Total liabilities and shareowners equity (deficit)

$1,372.0 $914.6 $825.7 $(1,101.1) $2,011.2 **As of December 31, 2008 Parent (Issuer) Guarantors Non-guarantors Eliminations Total**

Cash and cash equivalents

$4.5 $0.4 $1.8 $ $6.7

Receivables, net

3.2 55.2 106.5 164.9

Other current assets

27.7 92.2 30.2 (0.6) 149.5

Total current assets

35.4 147.8 138.5 (0.6) 321.1

Property, plant and equipment, net

0.6 449.0 594.7 1,044.3

Goodwill and intangibles, net

194.8 3.0 197.8

Investments in and advances to subsidiaries

1,041.8 (1,041.8)

Other noncurrent assets

358.4 215.5 12.6 (63.0) 523.5

Total assets

$1,436.2 $1,007.1 $748.8 $(1,105.4) $2,086.7

Current portion of long-term debt

$2.1 $7.4 $0.7 $ $10.2

Accounts payable

0.1 81.9 28.8 110.8

Other current liabilities

99.6 50.4 52.8 202.8

Total current liabilities

101.8 139.7 82.3 323.8

Long-term debt, less current portion

1,598.4 42.1 310.0 1,950.5

Other noncurrent liabilities

445.3 94.1 45.9 (63.6) 521.7

Intercompany payables

429.1 41.3 (470.4)

Total liabilities

2,145.5 705.0 479.5 (534.0) 2,796.0

Shareowners equity (deficit)

(709.3) 302.1 269.3 (571.4) (709.3)

Total liabilities and shareowners equity (deficit)

$1,436.2 $1,007.1 $748.8 $(1,105.4) $2,086.7

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Form 10-Q Part I Cincinnati Bell Inc.

Condensed Consolidating Statements of Cash Flows

(dollars in millions)	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
	Nine Months Ended September 30, 2009				
Cash flows provided by (used in) operating activities	$ (72.5)	$ 163.2	$ 159.6	$	$ 250.3
Capital expenditures	(0.4)	(44.9)	(96.4)		(141.7)
Acquisitions of businesses		(2.9)	(0.5)		(3.4)
Other investing activities	0.4	5.9	0.3		6.6
Cash flows used in investing activities		(41.9)	(96.6)		(138.5)
Funding between Parent and subsidiaries, net	171.4	(115.0)	(56.4)		
Increase in corporate credit and receivables facilities, net	12.7		10.9		23.6
Repayment of debt	(9.4)	(5.8)	(17.2)		(32.4)
Common stock repurchase	(59.4)				(59.4)
Other financing activities	(12.8)				(12.8)
Cash flows provided by (used in) financing activities	102.5	(120.8)	(62.7)		(81.0)
Increase in cash and cash equivalents	30.0	0.5	0.3		30.8
Beginning cash and cash equivalents	4.5	0.4	1.8		6.7
Ending cash and cash equivalents	$ 34.5	$ 0.9	$ 2.1	$	$ 37.5

	Parent (Issuer)	Guarantors	Non-guarantors	Eliminations	Total
	Nine Months Ended September 30, 2008				
Cash flows provided by (used in) operating activities	$ (34.1)	$ 134.9	$ 165.5	$	$ 266.3
Capital expenditures	(0.4)	(92.3)	(66.0)		(158.7)
Acquisitions of businesses		(19.3)	(2.3)		(21.6)
Other investing activities	0.1	0.6	0.3		1.0
Cash flows used in investing activities	(0.3)	(111.0)	(68.0)		(179.3)
Funding between Parent and subsidiaries, net	121.9	(20.8)	(101.1)		
Increase in corporate credit and receivables facilities, net	25.0		3.0		28.0
Repayment of debt	(53.6)	(3.3)	(0.5)		(57.4)
Common stock repurchase	(67.5)				(67.5)
Other financing activities	(8.2)				(8.2)
Cash flows provided by (used in) financing activities	17.6	(24.1)	(98.6)		(105.1)
Decrease in cash and cash equivalents	(16.8)	(0.2)	(1.1)		(18.1)
Beginning cash and cash equivalents	23.6	0.8	1.7		26.1
Ending cash and cash equivalents	$ 6.8	$ 0.6	$ 0.6	$	$ 8.0

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations
Information included in this Quarterly Report on Form 10-Q contains certain forward-looking statements that involve potential risks and uncertainties. The Company s future results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed herein and those discussed in the Company s Annual Report on Form 10-K for the year ended December 31, 2008. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date thereof.

The Company was initially incorporated under the laws of Ohio in 1983 and remains incorporated under the laws of Ohio. It has its principal executive offices at 221 East Fourth Street, Cincinnati, Ohio 45202 (telephone number (513) 397-9900 and website address http://www.cincinnatibell.com). The Company makes available its reports on Form 10-K, 10-Q, and 8-K (as well as all amendments to these reports) on its website, free of charge, at the Investor Relations section as soon as practicable after they have been electronically filed.

The Company files annual, quarterly and current reports, proxy statements and other information with the SEC under the Exchange Act. These reports and other information filed by the Company may be read and copied at the Public Reference Room of the SEC, 100 F Street N.E., Washington, D.C. 20549. Information may be obtained about the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy statements, and other information about issuers, like the Company, which file electronically with the SEC. The address of that site is http://www.sec.gov.

Critical Accounting Policies and Estimates

The preparation of Condensed Consolidated Financial Statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses. In the Company s Annual Report on Form 10-K for the year ended December 31, 2008, the Company identified critical accounting policies that affect its more significant estimates and assumptions used in preparing its Condensed Consolidated Financial Statements. These critical accounting policies include revenue recognition, accounting for allowances for uncollectible accounts receivable, reviewing the carrying values of goodwill and indefinite-lived intangible assets, reviewing the carrying values of property, plant and equipment, accounting for business combinations, accounting for taxes, accounting for pension and postretirement expenses, and accounting for termination benefits.

Results of Operations

The financial results for the three and nine months ended September 30, 2009 and 2008 referred to in this discussion should be read in conjunction with the Condensed Consolidated Statements of Operations in this Quarterly Report on Form 10-Q. Results for interim periods may not be indicative of the results for subsequent periods or the full year.

Consolidated Overview

Consolidated revenue totaled $337.7 million for the third quarter of 2009, a decrease of $8.8 million compared to the third quarter of 2008. The decrease was primarily due to the following:

- $9.7 million lower revenues in the Wireline segment primarily due to lower voice revenue;
- $3.1 million lower revenues in the Wireless segment primarily due to lower postpaid service revenue; and
- $5.1 million higher revenues in the Technology Solutions segment primarily due to increased data center and managed services revenue and higher telecom and IT equipment distribution revenue.

For the nine months ended September 30, 2009, consolidated revenue decreased $55.4 million to $990.8 million as compared to $1,046.2 million for the same period in 2008. The decrease was primarily due to the following:

$25.5 million lower revenues in the Wireline segment primarily due to lower voice revenue partially offset by higher data revenue;

$18.6 million lower revenues in the Technology Solutions segment primarily due to lower telecom and IT equipment distribution revenue partially offset by increased data center and managed services revenue; and

$7.1 million lower revenues in the Wireless segment primarily due to lower postpaid service revenue and equipment revenue.

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Operating income for the third quarter of 2009 was $73.2 million, a decrease of $6.6 million compared to the same period in 2008. The decrease resulted from lower Wireless segment operating income due primarily to a $4.8 million loss on the sale of a wireless spectrum asset and lower postpaid service revenue.

Operating income for the nine months ended September 30, 2009 was $229.1 million, an increase of $12.3 million compared to the same period a year ago. This increase was primarily due to the following:

- $25.2 million increase in Wireline segment operating income primarily due to lower restructuring costs; and
- $12.6 million decrease in Wireless segment operating income due primarily to lower postpaid service revenue and a loss on the sale of a wireless spectrum asset.

Interest expense was $31.5 million for the third quarter of 2009 and $94.6 million for the nine months ended September 30, 2009 as compared to $35.0 million for the third quarter of 2008 and $106.1 million for the nine months ended September 30, 2008. The decrease compared to last year is primarily attributable to lower debt balances due to the purchase and extinguishment of a portion of the Company s corporate bonds and lower short-term interest rates.

Income tax expense for the third quarter of 2009 of $21.7 million and income tax expense for the nine months ended September 30, 2009 of $59.1 million increased by $2.5 million and $11.1 million, respectively, versus the comparable prior year periods primarily due to higher pretax income.

The Company expects its effective tax rate to exceed statutory rates primarily due to the non-deductible expenses, including interest on securities originally issued to acquire its broadband business (the Broadband Securities) or securities that the Company has subsequently issued to refinance the Broadband Securities. The Company estimates that its effective income tax rate will be approximately 41% for the full year 2009. However, the Company expects to use federal and state net operating loss carryforwards to substantially defray payment of federal and state tax liabilities in 2009. The Company expects income tax payments for the 2009 year to be approximately $7 million.

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Form 10-Q Part I Cincinnati Bell Inc.

Discussion of Operating Segment Results

WIRELINE

	Three Months Ended September 30,				Nine Months Ended September 30,			
(dollars in millions)	2009	2008	Change	% Change	2009	2008	Change	% Change
Revenue:								
Voice - local service	$ 83.0	$ 96.0	$ (13.0)	(14)%	$ 260.8	$ 295.9	$ (35.1)	(12)%
Data	70.4	68.8	1.6	2%	211.0	204.3	6.7	3%
Long distance and VoIP	24.0	24.8	(0.8)	(3)%	72.0	73.7	(1.7)	(2)%
Other	13.5	11.0	2.5	23%	36.4	31.8	4.6	14%
Total revenue	190.9	200.6	(9.7)	(5)%	580.2	605.7	(25.5)	(4)%
Operating costs and expenses:								
Cost of services and products	62.8	67.5	(4.7)	(7)%	188.8	201.4	(12.6)	(6)%
Selling, general and administrative	35.1	40.2	(5.1)	(13)%	111.5	118.7	(7.2)	(6)%
Depreciation	26.2	25.4	0.8	3%	76.9	75.1	1.8	2%
Amortization	0.3	0.3		0%	0.8	0.8		0%
Restructuring charges (gains)	1.0	1.6	(0.6)	(38)%	(5.5)	26.0	(31.5)	n/m
Asset impairment				n/m		1.2	(1.2)	n/m
Total operating costs and expenses	125.4	135.0	(9.6)	(7)%	372.5	423.2	(50.7)	(12)%
Operating income	$ 65.5	$ 65.6	$ (0.1)	0%	$ 207.7	$ 182.5	$ 25.2	14%
Operating margin	34.3%	32.7%		1.6 pts	35.8%	30.1%		5.7 pts
Metric information:								
Local access lines (in thousands)	737.8	791.4	(53.6)	(7)%	737.8	791.4	(53.6)	(7)%
DSL subscribers (in thousands)	234.5	231.1	3.4	1%	234.5	231.1	3.4	1%
Long distance lines (in thousands)	515.9	534.9	(19.0)	(4)%	515.9	534.9	(19.0)	(4)%
Capital expenditures	$ 35.4	$ 22.5	$ 12.9	57%	$ 101.9	$ 68.9	$ 33.0	48%

The Wireline segment consists of the operations of Cincinnati Bell Telephone Company LLC, which operates as an incumbent local exchange carrier (ILEC) within the Company s traditional territory, Cincinnati Bell Extended Territories LLC, which operates as a competitive local exchange carrier (CLEC) in Dayton, Ohio and communities adjacent to the ILEC s northern borders, Cincinnati Bell Any Distance Inc. (CBAD), which provides long distance, audio conferencing, voice over internet protocol (VoIP) and broadband services including private line and multi protocol label switching, eVolve Business Solutions LLC, which provides VoIP services, Cincinnati Bell Complete Protection Inc., which provides security monitoring services and related surveillance hardware, the Company s payphone business, and its entertainment operations, which currently offers television over coaxial cable and fiber optical cable in limited areas and DirecTV on a commission basis to the remainder of its operating territory.

Revenue

Voice local service revenue includes local service, value added services, switched access and information services. Voice revenue decreased for both the three and nine months ended September 30, 2009 versus the same period in 2008 primarily as a result of a 7% decrease in access lines. Access lines within the segment s ILEC territory decreased by 59,000 or 8%, from 723,100 at September 30, 2008 to 664,100 at September 30, 2009. The access line loss resulted from several factors including customers electing to use wireless communication in lieu of the traditional local service, Company-initiated disconnections of customers with credit problems, and customers electing to use service from other providers. The Company has partially offset its access line loss in its ILEC territory by continuing to target voice services to residential and business customers in its CLEC territory. The Company had 73,700 CLEC access lines at September 30, 2009, which is an 8% increase from September 30, 2008.

Data revenue consists of data transport, high-speed internet access (DSL), dial-up internet access, digital trunking, and local area network interconnection services. Data revenue increased $1.6 million and $6.7 million for the three and nine months ended September 30, 2009 compared to the same periods a year ago, primarily due to increased data transport usage by third party users.

Long distance and VoIP revenue decreased $0.8 million and $1.7 million for the three and nine months ended September 30, 2009 as compared to the same periods in 2008. The decrease was due to lower minutes of use for long-distance and audio conferencing, which caused a $1.5 million and $6.0 million decrease in revenue for the three and nine months ended September 30, 2009, respectively. The decrease in long distance revenue was due to a 5% decline in residential lines. The revenue decrease from long distance and audio conferencing was partially offset by growth in revenue from VoIP and broadband services.

Costs and Expenses

Cost of services and products decreased by $4.7 million and $12.6 million for the three and nine months ended September 30, 2009 as compared to the corresponding periods in 2008. The decrease in the third quarter was driven by lower benefit costs of $2.8 million primarily due to the pension and postretirement plan changes announced in February 2009, lower operating and property taxes of $1.4 million and lower wages and other costs from operations. These decreases were partially offset by an increase in network costs of $1.0 million to support growth in CLEC and VoIP revenues. The decrease in the nine months ended September 30, 2009 was primarily due to $4.6 million in lower wages due to the Company s restructuring initiatives, $5.9 million in lower benefit costs as discussed above, lower operating and property taxes of $2.4 million and other lower costs from operations including a $0.7 million claim settlement. These decreases were partially offset by an increase in network costs of $2.7 million.

Selling, general and administrative expenses decreased by $5.1 million and $7.2 million for the three and nine months ended September 30, 2009, respectively, versus the comparable periods in 2008. The decrease for the three months ended September 30, 2009 primarily consists of a $1.8 million decrease in costs resulting from lower negotiated rates with third party service providers, lower wages of $1.5 million and lower benefit costs due to the pension and postretirement plan changes announced in February 2009. The decrease for the nine months ended September 30, 2009 was primarily due to a $3.9 million decrease in costs from third party service providers as discussed above, a $1.9 million decrease in wages and a $2.1 million decrease in benefit costs. These decreases were partially offset by an increase in bad debt expense.

The restructuring gain for the nine months ended September 30, 2009 resulted primarily from a curtailment due to changes in the pension and postretirement plans announced in February 2009. Restructuring charges for the nine months ended September 30, 2008 resulted primarily from an early retirement option offered by the Company and accepted by certain eligible union employees during the first quarter of 2008. See Note 6 to the Condensed Consolidated Financial Statements for further information.

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Form 10-Q Part I Cincinnati Bell Inc.

WIRELESS

	Three Months Ended September 30,				Nine Months Ended September 30,			
(dollars in millions, except for operating metrics)	**2009**	**2008**	**Change**	**% Change**	**2009**	**2008**	**Change**	**% Change**
Revenue:								
Service	$ 71.6	$ 74.2	$ (2.6)	(4)%	$ 214.1	$ 218.5	$ (4.4)	(2)%
Equipment	6.1	6.6	(0.5)	(8)%	16.4	19.1	(2.7)	(14)%
Total revenue	77.7	80.8	(3.1)	(4)%	230.5	237.6	(7.1)	(3)%
Operating costs and expenses:								
Cost of services and products	42.0	41.7	0.3	1%	121.9	122.3	(0.4)	0%
Selling, general and administrative	16.8	18.6	(1.8)	(10)%	50.8	52.2	(1.4)	(3)%
Depreciation	9.4	8.2	1.2	15%	28.2	24.7	3.5	14%
Amortization	0.3	0.5	(0.2)	(40)%	1.1	1.6	(0.5)	(31)%
Restructuring charge		0.1	(0.1)	n/m		0.5	(0.5)	n/m
Loss on sale of asset	4.8		4.8	n/m	4.8		4.8	n/m
Total operating costs and expenses	73.3	69.1	4.2	6%	206.8	201.3	5.5	3%
Operating income	$ 4.4	$ 11.7	$ (7.3)	(62)%	$ 23.7	$ 36.3	$ (12.6)	(35)%
Operating margin	5.7%	14.5%		(8.8) pts	10.3%	15.3%		(5.0) pts
Metric information:								
Postpaid ARPU*	$ 49.27	$ 48.82	$ 0.45	1%	$ 48.62	$ 47.91	$ 0.71	1%
Prepaid ARPU*	$ 28.70	$ 26.33	$ 2.37	9%	$ 28.43	$ 26.92	$ 1.51	6%
Postpaid subscribers (in thousands)	383.5	413.6	(30.1)	(7)%	383.5	413.6	(30.1)	(7)%
Prepaid subscribers (in thousands)	152.8	153.4	(0.6)	n/m	152.8	153.4	(0.6)	n/m
Average postpaid churn	2.3%	2.3%		0.0 pts	2.2%	1.9%		0.3 pts
Capital expenditures	$ 8.1	$ 9.7	$ (1.6)	(16)%	$ 17.9	$ 33.7	$ (15.8)	(47)%

* The Company has presented certain information regarding monthly average revenue per user (ARPU) because the Company believes ARPU provides a useful measure of the operational performance of its Wireless segment. ARPU is calculated by dividing service revenue by the average subscriber base for the period.

Revenue

Service revenue decreased by $2.6 million in the third quarter of 2009 as compared to the same period last year due to the following:

Postpaid service revenue decreased $3.1 million due to a decrease in subscribers partially offset by an increase in ARPU. The Company s loss of postpaid subscribers has been higher than historical levels, in part due to the Company s tightening of credit standards. The ARPU increase was driven by a 23% increase in data ARPU; and

Prepaid service revenue increased $0.5 million compared to the same period last year primarily due to an increase in ARPU of $2.37 partially offset by a decrease in subscribers.

For the nine months ended September 30, 2009, service revenue decreased $4.4 million compared to the same period in 2008 primarily due to a $3.5 million decrease in postpaid service revenue resulting from the decrease in subscribers as described above partially offset by an increase in

ARPU. Prepaid service revenue declined $0.9 million during the nine months ended September 30, 2009 compared to the same period in 2008 primarily from fewer subscribers partially offset by higher ARPU.

Equipment revenue for the three and nine months ended September 30, 2009 decreased by $0.5 million and $2.7 million compared to the same periods in 2008 primarily due to lower prepaid and postpaid subscriber activations partially offset by higher handset revenue per unit.

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Costs and Expenses

Cost of services and products consists largely of network operation costs, interconnection expenses with other telecommunications providers, roaming expense (which is incurred for subscribers to use their handsets in the territories of other wireless service providers), and cost of handsets and accessories sold. These expenses increased $0.3 million during the third quarter of 2009 and decreased $0.4 million for the nine months ended September 30, 2009 versus the prior year periods. The third quarter increase was primarily attributable to an increase in handset subsidies to attract new customers and retain existing customers. The decrease for the nine months ended September 30, 2009 was primarily due to lower handset equipment costs of $3.1 million and $1.4 million lower operating taxes. These decreases were offset by an increase in handset subsidies to attract new customers and retain existing customers of $3.7 million and higher network costs mostly related to the increased data revenue.

Selling, general and administrative expenses decreased $1.8 million for the third quarter of 2009 primarily due to a decrease in advertising costs, bad debt expense and lower distributor commissions resulting from lower activations. Costs for the nine months ended September 30, 2009 versus the prior year period decreased $1.4 million primarily due to lower distributor commissions resulting from lower activations of $1.9 million as well as lower advertising and other costs offset by an increase in bad debt expense of $1.8 million.

The loss on sale of asset of $4.8 million relates to the wireless spectrum for the Indianapolis, Indiana region that the Company sold for $5.8 million during the three months ended September 30, 2009.

TECHNOLOGY SOLUTIONS

	Three Months Ended September 30,				Nine Months Ended September 30,			
(dollars in millions)	**2009**	**2008**	**Change**	**% Change**	**2009**	**2008**	**Change**	**% Change**
Revenue:								
Telecom and IT equipment distribution	$ 45.2	$ 43.1	$ 2.1	5%	$ 109.4	$ 142.9	$ (33.5)	(23)%
Data center and managed services	28.1	25.6	2.5	10%	83.4	72.2	11.2	16%
Professional services	5.1	4.6	0.5	11%	15.1	11.4	3.7	32%
Total revenue	78.4	73.3	5.1	7%	207.9	226.5	(18.6)	(8)%
Operating costs and expenses:								
Cost of services and products	56.7	53.4	3.3	6%	146.1	171.7	(25.6)	(15)%
Selling, general and administrative	10.0	9.8	0.2	2%	32.6	29.7	2.9	10%
Depreciation	4.6	3.9	0.7	18%	13.6	10.2	3.4	33%
Amortization	0.4	0.4		0%	1.2	1.2		0%
Restructuring charge				n/m		0.4	(0.4)	n/m
Total operating costs and expenses	71.7	67.5	4.2	6%	193.5	213.2	(19.7)	(9)%
Operating income	$ 6.7	$ 5.8	$ 0.9	16%	$ 14.4	$ 13.3	$ 1.1	8%
Operating margin	8.5%	7.9%		0.6 pts	6.9%	5.9%		1.0 pts
Metric information:								
Raised floor (in square feet)	271,000	202,000	69,000	34%	271,000	202,000	69,000	34%
Utilization rate	80%	88%		(8) pts	80%	88%		(8) pts
Capital expenditures	$ 3.9	$ 23.1	$ (19.2)	(83)%	$ 21.5	$ 55.7	$ (34.2)	(61)%

The Technology Solutions segment consists of CBTS, CBTS Canada Inc., CBTS Software LLC, and GramTel Inc.

Revenue

Revenue from telecom and IT equipment distribution represents the sale, installation and maintenance of major, branded IT and telephony equipment. Revenue increased by $2.1 million in the third quarter of 2009 as customer demand for equipment that had been suppressed by the economy began to be realized in the third quarter. Revenue decreased by $33.5 million for the nine months ended September 30, 2009 as compared to the same periods a year ago as a result of lower capital spending by business customers due to the decline in the economy.

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Form 10-Q Part I Cincinnati Bell Inc.

Data center and managed services revenue consists of recurring collocation rents from customers residing in the Company s data centers, managed VoIP solutions, and IT services that include network management, electronic data storage, disaster recovery, and data security management. Revenue increased $2.5 million for the third quarter of 2009 and $11.2 million for the nine months ended September 30, 2009 as compared to the same periods a year ago, primarily due to increased billable data center space.

Professional services revenue consists of long-term and short-term IT outsourcing and consulting engagements. Revenue for the three and nine months ended September 30, 2009 increased by $0.5 million and $3.7 million, respectively, compared to the same periods in 2008. The Company continues to expand its team of recruiting and hiring personnel in order to focus on selling these outsourcing and consulting engagements.

Costs and Expenses

Cost of services and products increased by $3.3 million in the third quarter of 2009 and decreased by $25.6 million for the nine months ended September 30, 2009 as compared to the same periods in 2008. The increase in the third quarter primarily resulted from a $3.5 million increase in cost of goods sold related to higher telecom and equipment distribution revenue. The margin on telecom and equipment distribution revenue decreased from the third quarter of 2008 primarily due to the product mix of equipment sold. The decrease for the nine months ended September 30, 2009 was primarily due to a $28.8 million decrease in cost of goods sold related to lower telecom and equipment distribution revenue partially offset by higher data center costs and higher payroll related costs due to growth in both data center and managed services and professional services revenues.

Selling, general and administrative expenses increased by $0.2 million and $2.9 million for the third quarter of 2009 and for the nine months ended September 30, 2009, respectively, primarily due to an increase in payroll related costs to support the growing operations.

The increase in depreciation expense for the three and nine months ended September 30, 2009 compared to the prior year periods was primarily due to capital expenditures associated with expanding data center capacity.

Financial Condition, Liquidity, and Capital Resources

As of September 30, 2009, the Company held $37.5 million in cash and cash equivalents. The Company s primary sources of cash for the remainder of the year will be cash generated by operations and borrowings from the Corporate credit facility under which the Company had $98.2 million of availability at September 30, 2009. In June 2009, the Company amended its Corporate credit facility, which would have expired in February 2010. The amended Corporate credit facility has a $210 million revolving line of credit and expires in August 2012. The Company s cash flows from operating activities totaled $403.9 million for the year 2008.

Uses of cash for the remainder of the year will include repayments and repurchases of debt and related interest, repurchases of common shares, dividends on preferred stock, capital expenditures, and working capital. In February 2008, the Company s Board of Directors authorized the repurchase of the Company s outstanding common stock in an amount up to $150 million during the next two years. Through September 30, 2009, the Company has repurchased $136.2 million of common stock, which leaves $13.8 million available to repurchase common stock under the stock buyback program.

The Company believes the cash generated by its operations and borrowings from its Corporate credit facility and Receivables Facility will be sufficient to fund its primary uses of cash.

The Corporate credit facility financial covenants require that the Company maintain certain leverage ratios, interest coverage, and fixed charge ratios. The facility also contains certain covenants which, among other things, limit the Company s ability to incur additional debt or liens, pay dividends, repurchase Company common stock, sell, transfer, lease, or dispose of assets, and make investments or merge with another company. If the Company were to violate any of its covenants and were unable to obtain a waiver, it would be considered a default. If the Company were in default under its credit facility, no additional borrowings under the credit facility would be available until the default was waived or cured. The Company believes it is in compliance and will remain in compliance with its Corporate credit facility covenants.

Various issuances of the Company s public debt, which include the 7 1/4% Senior Notes due 2013, 8 3/8% Subordinated Notes, and the 7% Senior Notes, 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. Restricted payments include common stock dividends, repurchase of common stock, and certain other public debt repayments. The Company believes it has sufficient ability under its public debt indentures to make its intended restricted payments in 2009. The Company believes it is in compliance and will remain in compliance with its public debt indentures.

Cash Flows

For the nine months ended September 30, 2009, cash provided by operating activities totaled $250.3 million, a decrease of $16.0 million compared to the $266.3 million provided by operating activities during the same period in 2008. The decrease was primarily due to a customer prepayment of $21.5 million received in 2008 for data center services. This decrease was partially offset by $13.2 million received related to the settlement and termination of the short and long-term interest rate swaps.

Cash flow utilized for investing activities decreased $40.8 million to $138.5 million during the nine months ended September 30, 2009 as compared to $179.3 million for the nine months of 2008. In 2009, the Company sold wireless spectrum primarily for the Indianapolis, Indiana region for $5.8 million. In 2008, the Company paid $21.6 million related to the acquisition of businesses, $18.1 million of which related to the purchase of eGIX Inc. Capital expenditures were $17.0 million lower for the nine months ended September 30, 2009 versus last year.

Cash flow used in financing activities for the nine months ended September 30, 2009 was $81.0 million compared to $105.1 million during the same period in 2008. For the nine months ended September 30, 2009, the Company repurchased $59.4 million of the Company s common stock as part of its two-year $150 million common stock repurchase plan. In the third quarter of 2009, the Company purchased and extinguished $32.5 million of the Cincinnati Bell Telephone Notes and the 7 $^{1}/4$% Senior Notes due 2023 at an average discount of 24%. The Company also paid $4.4 million of debt issuance costs to amend and extend the term of the Corporate credit facility in the second quarter of 2009. Borrowings under the Corporate credit and receivables facilities increased $23.6 million in the nine months ended September 30, 2009. During the nine months ended September 30, 2008, the Company purchased and extinguished $53.0 million of 8 $^{3}/8$% Subordinated Notes and 7 $^{1}/4$% Senior Notes due 2013 at an average discount of 5% and repurchased $67.5 million of the Company s common stock as part of its two-year $150 million common stock repurchase plan. Borrowings under the Corporate credit and receivables facilities increased by $28.0 million during 2008. For the nine months ended September 30, 2009 and 2008, the Company paid preferred stock dividends of $7.8 million.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company is exposed to the impact of interest rate fluctuations on its indebtedness. The Company attempts to maintain an optimal balance of fixed rate and variable rate indebtedness in order to attain low overall borrowing costs over time while mitigating exposure to interest rate fluctuations. The Company periodically uses derivative financial instruments to manage its balance of fixed rate and variable rate indebtedness. In 2004 and 2005, the Company entered into long-term interest rate swaps with notional amounts totaling $450 million to change the fixed rate nature of a portion of the 7% Senior Notes and the 8 $^{3}/8$% Subordinated Notes to floating rate debt. These long-term interest rate swaps qualified for fair value hedge accounting. In December 2008 and early 2009, certain counterparties exercised their right to call $250 million of the notional amount of long-term interest rate swaps for the 8 $^{3}/8$% Subordinated Notes for which the Company received $10.5 million in the first quarter of 2009 upon termination of the swaps. In the third quarter of 2009, the Company terminated the remaining long-term interest rate swaps and received $6.5 million. As of December 31, 2008, the fair value of these interest rate swap contracts was an asset of $22.4 million, for which the Company s underlying hedged debt was adjusted by the same corresponding value.

In both May 2008 and July 2008, the Company entered into six-month interest rate swap contracts with notional amounts totaling $450 million each, which effectively fixed the floating interest rates for the second half of 2008 and first half of 2009 on the long-term interest rate swaps. The Company did not designate these swaps as hedging instruments, which resulted in the change in the fair value of these instruments being recognized in Other income, net in the Condensed Consolidated Statements of Operations during each period that these instruments were outstanding. At December 31, 2008, the fair value of these interest rate swap contracts was a liability of $3.6 million.

Refer to the Company s Annual Report on Form 10-K for the year ended December 31, 2008 for further information on the Company s hedging activities.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

The term disclosure controls and procedures (defined in SEC Rule 13a-15(e)) refers to the controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported within required time periods. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. 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 of the end of the period covered by the report. Based on that evaluation, Cincinnati Bell Inc. s Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by the report, such controls and procedures were effective.

(b) Changes in internal controls over financial reporting.

The term internal control over financial reporting (defined in SEC Rule 13a-15(f)) refers to the process of a company that is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. 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 2009, and they have concluded that there was no change to Cincinnati Bell Inc. s internal control over financial reporting in the third quarter of 2009 that has materially affected, or is reasonably likely to materially affect, Cincinnati Bell Inc. s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

Other than the following, the Company believes there have been no other changes to its risk factors provided in its 2008 Annual Report on Form 10-K:

A health pandemic could severely affect the Company s operations.

As a result of any health pandemic, such as the H1N1 influenza virus, the Company could potentially experience a significant disruption in its operations due to staffing shortages as well as disruption of services and products provided by third-party providers. Any significant disruption in its operations could have a material adverse impact on the Company s business, financial condition, results of operations and cash flows.

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

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

A few large customers account for a significant portion of the Company s revenues and accounts receivable. The loss or significant reduction in business from one or more of these large customers could cause operating revenues to decline significantly and have a materially adverse long-term impact on the Company s business.

One customer represented approximately 10% of the outstanding accounts receivable balance at December 31, 2008. Contracts with customers may not sufficiently reduce the risk inherent that customers may terminate or fail to renew their relationships with the Company. As a result of the customer concentration, the Company s results of operations and financial condition could be materially affected if the Company lost one or more large customers or if services purchased were significantly reduced.

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

During the three month period ended September 30, 2009, the Company had no unregistered sales of equity securities.

The following table provides information regarding the Company s purchases of its common stock for the quarter ended September 30, 2009:

	Total Number of Shares (or Units) Purchased*	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs **	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions) **
7/1/2009-7/31/2009	206,587	$ 2.92	204,808	$ 38.2
8/1/2009-8/31/2009	3,190,950	3.36	3,190,950	27.5

9/1/2009-9/30/2009	4,091,752	3.34	4,091,752	13.8
	7,489,289	$ 3.34	7,487,510	

* The period 7/1/2009 7/31/2009 includes 1,779 shares purchased at market value for certain deferred compensation plans.

** In February 2008, the Company s Board of Directors approved the repurchase of the Company s outstanding common stock in an amount up to $150 million during 2008 and 2009.

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Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibits identified in parentheses below, on file with the SEC, are incorporated herein by reference as exhibits hereto.

Exhibit Number	DESCRIPTION
(4.1)	Indenture dated as of October 5, 2009, by and among Cincinnati Bell Inc., as issuer, the guarantors party thereto and The Bank of New York Mellon, as trustee, relating to Cincinnati Bell Inc. s 8.25% Senior Notes due 2017. (Exhibit 4.1 to Current Report on Form 8-K, date of Report September 30, 2009, File No. 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.

\+ Filed herewith.

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.cincinnatibell.com. The Company will furnish any other exhibit at cost.

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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 6, 2009	/s/ Gary Wojtaszek Gary Wojtaszek Chief Financial Officer
Date: November 6, 2009	/s/ Kurt Freyberger Kurt Freyberger Vice President and Controller