CINCINNATI BELL INC
Form S-4/A
June 24, 2003

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As filed with the Securities and Exchange Commission on June 24, 2003

Registration No. 333-104618

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1
TO
FORM S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Cincinnati Bell Inc.

(Exact name of registrant as specified in its charter)

Ohio	**4813**	**31-1056105**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

201 East Fourth Street
Cincinnati, Ohio 45202
(513) 397-9900
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Jeffrey C. Smith, Esq.
Chief Human Resources Officer,
General Counsel and Corporate Secretary
Cincinnati Bell Inc.
201 East Fourth Street
Cincinnati, Ohio 45202
(513) 397-9900
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

William V. Fogg, Esq. **Cravath, Swaine & Moore LLP** **825 Eighth Avenue** **New York, New York 10019** **(212) 474-1000**	**Arnold B. Peinado, III, Esq.** **Milbank, Tweed, Hadley & McCloy LLP** **1 Chase Manhattan Plaza** **New York, New York 10005** **(212) 530-5000**

Approximate date of commencement of proposed sale to the public:
As soon as practicable after this Registration Statement is declared effective and the conditions to the consummation of the offer described herein have been satisfied or, to the extent permitted, waived.

If any of the securities being registered on this Form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Information contained in this prospectus and solicitation statement is not complete and may be changed. We may not complete the exchange offer and issue these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus and solicitation statement is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Prospectus and Solicitation Statement Subject to completion dated, , 2003

[Cincinnati Bell Inc. logo]

OFFER TO EXCHANGE
11,076,707 Shares of Cincinnati Bell Inc. Common Stock for the entire outstanding aggregate principal amount of BRCOM Inc. 9% Senior Subordinated Notes due 2008 and CONSENT SOLICITATION

We are offering to exchange 11,076,707 shares of our common stock for the entire outstanding aggregate principal amount of 9% Senior Subordinated Notes due 2008 of our BRCOM Inc. (f/k/a Broadwing Communications Inc.), or BCI, subsidiary, or 241.06 shares of Cincinnati Bell Common Stock for each outstanding $1,000 aggregate principal amount of BCI 9% Notes, upon the terms and subject to the conditions specified in this prospectus and solicitation statement and the related consent and letter of transmittal.

Concurrently with the exchange offer, we are also soliciting consents from holders of BCI 9% Notes to amend the indenture under which the notes were issued to eliminate all restrictive covenants. The exchange offer and consent solicitation will expire on , 2003 at 5:00 p.m., New York City time, unless extended.

The exchange offer and consent solicitation are conditioned upon, among other conditions, our receipt of valid tenders and consents from holders of not less than 95% of the outstanding BCI 9% Notes. Holders of notes representing approximately 92.2% of the outstanding aggregate principal amount of BCI 9% Notes have already agreed with us to tender their notes and give their consents.

Shares of Cincinnati Bell Common Stock are listed on the New York Stock Exchange under the symbol "CBB," and the last reported trading price on June 19, 2003 was $6.55. Based upon this $6.55 trading price, the value of the shares of Cincinnati Bell Common Stock that would be received in exchange for each $1,000 aggregate principal amount of BCI 9% Notes validly tendered and not properly withdrawn in the exchange offer would be approximately $1,578.94.

SEE "RISK FACTORS" BEGINNING ON PAGE 10 FOR A DISCUSSION OF ISSUES THAT YOU SHOULD CONSIDER WITH RESPECT TO THE EXCHANGE OFFER AND CONSENT SOLICITATION.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or this transaction, passed upon the merits or fairness of this transaction, or passed upon the adequacy or accuracy of this prospectus and solicitation statement. Any representation to the contrary is a criminal offense.

LEHMAN BROTHERS

Dealer Manager and Solicitation Agent

, 2003

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QUESTIONS AND ANSWERS ABOUT THE EXCHANGE OFFER AND CONSENT SOLICITATION

The following are some questions regarding the exchange offer and consent solicitation that you may have as a holder of BCI 9% Notes and the answers to those questions. We urge you to read carefully the remainder of this prospectus and solicitation statement and the related consent and letter of transmittal because the information in this section is not complete. Additional important information is contained in the remainder of this prospectus and solicitation statement and the consent and letter of transmittal.

Q:

What will I receive in exchange for my BCI 9% Notes?

A:

We are offering to exchange 241.06 shares of Cincinnati Bell Common Stock for each outstanding $1,000 aggregate principal amount of BCI 9% Notes validly tendered and not properly withdrawn in the exchange offer.

Q:

If I tender my BCI 9% Notes, when will I receive my shares of Cincinnati Bell Common Stock?

A:

Holders of BCI 9% Notes that tender their notes in the exchange offer will receive shares of Cincinnati Common Stock promptly after the closing of the exchange offer.

Q:

When does Cincinnati Bell expect to complete the exchange offer and consent solicitation?

A:

We hope to complete the exchange offer and consent solicitation in the third quarter of 2003. The exchange offer and consent solicitation are currently scheduled to expire on   , 2003; however, we may extend the exchange offer and consent solicitation from time to time as necessary until all the conditions to the exchange offer and consent solicitation have been satisfied or, where permissible, waived.

Q:

If I decide not to tender, how will the exchange offer and consent solicitation affect my BCI 9% Notes?

A:

If you decide not to tender your BCI 9% Notes in the exchange offer and we complete the exchange offer and consent solicitation, holders of untendered BCI 9% Notes will not have the benefit of the restrictive covenants currently set forth in the indenture, and the liquidity and trading price of the remaining BCI 9% Notes will likely be adversely affected. If the exchange offer and consent solicitation are completed and BCI was unable to finance its operations or meet its remaining commitments going forward, it may be forced to seek protection from its creditors under Chapter 11 and the remaining holders would have senior subordinated debt claims against BCI, the surviving entity of the proposed merger to be effected upon consummation of the BCI preferred exchange offer.

Q:
Will I receive accrued and unpaid interest with respect to BCI 9% Notes accepted for exchange?

A:
No. You will not be paid any accrued and unpaid interest if you exchange your BCI 9% Notes pursuant to the exchange offer.

Q:
How do I participate in the exchange offer and consent solicitation?

A:
If you hold your notes in your own name, complete and sign the enclosed consent and letter of transmittal and return it with your notes certificates to The Bank of New York, the exchange agent for the exchange offer, at the appropriate address specified on the back cover of this prospectus and solicitation statement before the expiration date of the exchange offer and consent solicitation.

If you hold your notes through a broker or other nominee, instruct such broker or nominee to tender your notes and consent to the proposed amendments before the expiration date of the exchange offer and consent solicitation.

Q:
Will I have to pay any fees or commissions for tendering into the exchange offer?

A:
If you are the record owner of your notes and you tender your notes directly to the exchange agent, you will not have to pay any fees or commissions. If you hold your notes through a broker, bank or other nominee, and your broker tenders the notes on your behalf, your broker may charge you a fee for doing so. You should consult your broker or nominee to determine whether any charges will apply.

Q:
What do I do if I want to withdraw my notes from the exchange offer and revoke the related consents to the proposed amendments?

A:
To withdraw your notes from the exchange offer and revoke the related consents to the proposed amendments, send a written or facsimile transmission notice of withdrawal to the exchange agent at the appropriate address specified on the back cover of this prospectus and solicitation statement prior to the expiration date. Your notice of withdrawal must comply as to form with the requirements set forth in this prospectus and solicitation statement.

Q:
Where can I find more information about Cincinnati Bell and BCI?

A:
You can find more information about Cincinnati Bell and BCI from various sources described under "Where You Can Find More Information."

Q:
Who do I call if I have any questions on how to tender my BCI 9% Notes or any other questions relating to the exchange offer and consent solicitation?

A:
Questions and requests for assistance may be directed to The Bank of New York, the exchange agent, or to Lehman Brothers Inc., the dealer manager and solicitation agent, at their respective addresses and telephone numbers set forth on the back cover of this prospectus and solicitation statement. Requests for additional copies of this prospectus and solicitation statement and the consent and letter of transmittal may be directed to the exchange agent or the dealer manager and solicitation agent of the exchange offer and consent solicitation.

SUMMARY

This summary highlights selected information from this prospectus and solicitation statement and may not contain all of the information that is important to you. To better understand the proposed exchange offer and consent solicitation, we urge you to read this entire document carefully, as well as those additional documents to which we refer you. See "Where You Can Find More Information."

Background of the Exchange Offer and Consent Solicitation

Beginning with our acquisition of all of the common stock of BCI in November 1999, we have pursued a strategy of building an integrated high capacity communications network by using our financial resources to leverage BCI's strategic assets. From the acquisition of BCI to March 31, 2003, we used approximately $2.3 billion of cash flow from our other businesses as well as borrowings under our credit facilities to finance the buildout and increase the capacity of BCI's national optical network, as well as to meet BCI's other cash needs.

In 2001, the business environment for BCI and the broader telecommunications industry deteriorated rapidly and significantly and currently remains weak. Factors contributing to this weakness include a generally weak U.S. economy, overcapacity in the broadband industry and financial difficulties at companies in related industries, including many of BCI's telecommunications carrier customers.

BCI generated revenue of approximately $1.1 billion, or 50% of our consolidated revenue in 2002; however, BCI generated an operating loss of approximately $2.4 billion over the same period. In general, BCI has incurred substantial operating and net losses. From the acquisition of BCI through the end of 2002, BCI incurred approximately $3.2 billion in operating losses and approximately $5.4 billion in cumulative net losses. To finance BCI's capital expenditure and operating activities, as well as its preferred stock dividends and repayments of long-term debt, from the acquisition of BCI to March 31, 2003, we made capital contributions of approximately $829 million and intercompany loans and borrowings under our credit facilities of approximately $1.5 billion. As a result of those contributions and loans and the effects of a weak U.S. economy and telecommunications industry, we have incurred a substantial amount of debt.

The Restructuring Plan and Recent Developments

In response to BCI's deteriorating financial results and concerns over our liquidity, in October 2002 we announced a five-point restructuring plan. The restructuring plan is intended to strengthen our financial position, maintain the strength and stability of our local telephone business, reduce the cash expenditures at BCI, facilitate the evaluation of strategic alternatives and reduce our debt balances over time. We have made substantial progress in implementing the restructuring plan including the following:

- on March 26, 2003, we received $350 million of gross cash proceeds from the issuance of 16% Senior Subordinated Discount Notes due 2009, referred to herein as the 16% Notes, and warrants as part of the Goldman mezzanine financing (as described in "Description of Cincinnati Bell and BCI Indebtedness Cincinnati Bell 16% Senior Subordinated Discount Notes due 2009").

- on March 26, 2003, we permanently prepaid $220 million in borrowings under our term and revolving credit facilities and made a $90 million payment under our revolving credit facility with the net cash proceeds from the Goldman mezzanine financing and amended the terms of our credit facilities to provide us with greater liquidity for our operations.

- on March 26, 2003, we executed a supplemental indenture in respect of the indenture governing the Convertible Subordinated Notes (as described in "Background of the Exchange Offer and

Consent Solicitation The Restructuring Plan and Recent Developments Convertible Subordinated Notes Supplemental Indenture").

- on June 13, 2003, we consummated the first (and most significant) stage closing of the sale of our broadband business, in which we transferred substantially all of our broadband assets except for those for which state regulatory approval for transfer was still pending. At the first stage closing, we had received regulatory approval in states where approximately 75% of our 2002 broadband revenues were generated. In connection with the first stage closing, the buyers paid the cash purchase price of $91.5 million, of which $29.3 million was placed into escrow to support certain potential purchase price adjustments and the portion of the purchase price payable upon the consummation of the second and third stage closings, and issued to us a $17.2 million promissory note in connection with a purchase price working capital adjustment. In addition, the buyers have agreed to assume approximately $418.5 million in current and long-term liabilities and approximately $291.2 million of operating contractual commitments. See "Background of the Exchange Offer and Consent Solicitation The Restructuring Plan and Recent Developments Sale of our broadband business." Our business after the consummation of the broadband sale will primarily consist of our local and wireless telephone businesses and the only remaining BCI subsidiaries with operating assets will be Cincinnati Bell Technology Solutions Inc., an information technology consulting subsidiary, and BTI Inc., a subsidiary whose assets service Cincinnati Bell's long distance business.

on June 16, 2003, we permanently retired BCI's remaining $0.8 million outstanding 12 1/2% Senior Notes due 2005 (as described in "Background of the Exchange Offer and Consent Solicitation The Restructuring Plan and Recent Developments Retirement of BCI 12 1/2% Notes").

Concurrent with the exchange offer and consent solicitation, we are also offering to exchange 14,148,518 shares of Cincinnati Bell Common Stock for the 395,210 outstanding shares of BCI Preferred Stock (as described in "Description of Cincinnati Bell and BCI Indebtedness BCI 12 1/2% Junior Exchangeable Preferred Stock"), or 35.8 shares of Cincinnati Bell Common Stock for each share of BCI Preferred Stock. Holders of shares of the outstanding BCI Preferred Stock representing approximately 67.4% of the outstanding BCI Preferred Stock have already agreed to tender their shares and give their consents. If the BCI preferred exchange offer is completed, in connection therewith we will effect a merger of a newly-formed wholly owned subsidiary of Cincinnati Bell with and into BCI in which any remaining shares of BCI Preferred Stock not tendered in the BCI preferred exchange offer will be converted into the same number of shares of Cincinnati Bell Common Stock that holders of such shares would have received in the BCI preferred exchange offer.

Consequences for BCI

BCI conducts substantially all of its operations through its subsidiaries and is dependent upon dividends or other intercompany transfers of funds from its subsidiaries in order to meet its obligations. Following the completion of the remaining portion of the sale of our broadband business, the only remaining BCI subsidiaries with operating assets will be Cincinnati Bell Technology Solutions Inc., an information technology consulting subsidiary, and BTI Inc., a subsidiary whose assets service Cincinnati Bell's long distance business. See "Unaudited Pro Forma Condensed Consolidated Financial Information BRCOM Inc." for BCI's pro forma results of operations and balance sheet after giving effect to the sale of our broadband business. However, BCI retains substantial liabilities. The carrying value of the current and long-term liabilities to be retained totaled $1,654.8 million and $301.7 million, respectively, as of March 31, 2003. There can be no assurances that BCI will be able to generate sufficient cash from its remaining operations, restructure its obligations or obtain additional sources of financing, in light of the funding constraints described under "Description of Cincinnati Bell and BCI Indebtedness Cincinnati Bell 16% Senior Subordinated Discount Notes due 2009." As a result, BCI

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may not be able to service the substantial liabilities remaining after the sale of our broadband business or to fund its other liquidity needs.

The uncertainty of future cash flows of BCI combined with the funding constraints discussed above have prompted PricewaterhouseCoopers LLP, BCI's independent accountants, to include a going concern explanatory paragraph in their report filed in connection with the stand-alone financial statements of BCI. The going concern explanatory paragraph means that, in the opinion of PricewaterhouseCoopers LLP, there exists substantial doubt about BCI's ability to continue as a going concern and its ability to realize its assets and discharge its liabilities in the normal course of business.

If BCI is unable to finance its operations or meet its remaining commitments going forward, it may be forced to seek protection from its creditors under Chapter 11, whether or not the exchange offer is consummated, in which case the holders of BCI 9% Notes will have senior subordinated debt claims against BCI, the surviving entity of the proposed merger to be effected upon consummation of the BCI preferred exchange offer.

See "Background of the Exchange Offer and Consent Solicitation Consequences for BCI" for a more detailed discussion of the restructuring plan.

Reasons for the Exchange Offer and Consent Solicitation

The exchange offer and consent solicitation are an integral part of the restructuring plan. The restructuring plan and the sale of our broadband business were undertaken to simplify our capital structure and focus on our remaining operations. The exchange offer and consent solicitation will improve our financial position and reduce remaining cash expenditures at BCI. The consent solicitation will eliminate all restrictive covenants in the indenture governing the BCI 9% Notes, thereby providing us with increased operational and financial flexibility in dealing with the remainder of BCI's assets and liabilities following the sale of our broadband business. In addition, pursuant to the terms of the agreement for the sale of our broadband business, we have agreed to use our best efforts to either retire the BCI 9% Notes or obtain the consent of the holders of BCI 9% Notes to the sale of our broadband business.

See "The Exchange Offer and Consent Solicitation Reasons for and Purpose of the Exchange Offer and Consent Solicitation."

The Exchange Offer and Consent Solicitation

We are offering to exchange 241.06 shares of Cincinnati Bell Common Stock for each outstanding $1,000 aggregate principal amount of BCI 9% Notes validly tendered and not properly withdrawn prior to the expiration date. Because the number of shares of Cincinnati Bell Common Stock you will receive for each $1,000 aggregate principal amount of BCI 9% Notes is fixed, the value of the shares of Cincinnati Bell Common Stock at the time you receive them could be less than their value at the time you tender your BCI 9% Notes.

The following table reflects the value of the shares of Cincinnati Bell Common Stock to be received by holders for each $1,000 aggregate principal amount of BCI 9% Notes across an assumed range of Cincinnati Bell Common Stock share prices:

	Cincinnati Bell Common Stock Per Share Price								
	$3.00	**$3.50**	**$4.00**	**$4.50**	**$5.00**	**$5.50**	**$6.00**	**$6.50**	**$7.00**
Value of 241.06 shares of Cincinnati Bell Common Stock	$ 723.18	$ 843.71	$ 964.24	$ 1,084.77	$ 1,205.30	$ 1,325.83	$ 1,446.36	$ 1,566.89	$ 1,687.42

Assuming the exchange offer and consent solicitation are completed, all outstanding shares of BCI Preferred Stock are tendered and accepted for exchange pursuant to the BCI preferred exchange offer,

and giving effect to the exercise of the 17.5 million warrants issued as part of the Goldman mezzanine financing, there would be 261,678,129 shares of Cincinnati Bell Common Stock outstanding on March 31, 2003. Based on this information, the former holders of BCI 9% Notes would hold approximately 4.2% of the outstanding shares of Cincinnati Bell Common Stock if the entire outstanding aggregate principal amount of BCI 9% Notes were validly tendered and accepted for exchange in the exchange offer.

We will retain all the BCI 9% Notes we receive in the exchange offer. You will not be paid any accrued and unpaid interest if you exchange your BCI 9% Notes pursuant to the exchange offer. Also, you will not receive any fractional shares. Instead, the exchange agent for the exchange offer, acting as your agent, will aggregate any fractional shares issuable and sell them for your account. The proceeds realized by the exchange agent on the sale of fractional shares will be distributed to you and the other tendering holders of BCI 9% Notes on a pro rata basis, net of commissions.

Concurrently with the exchange offer, we are also soliciting consents from holders of BCI 9% Notes to amend the indenture under which the notes were issued to eliminate all restrictive covenants. You may not deliver consents without tendering your BCI 9% Notes in the exchange offer. Your completion, execution and delivery of a consent and letter of transmittal will be deemed to constitute your consent to the proposed amendments with respect to the BCI 9% Notes tendered thereby unless such notes are properly withdrawn in the manner and during the periods described herein.

The term "expiration date" means 5:00 p.m., New York City time, on , 2003, unless we extend the period of time for which the exchange offer and consent solicitation are open, in which case the term "expiration date" means the latest time and date on which the exchange offer and consent solicitation, as so extended, expire.

As of March 31, 2003, holders representing approximately 92.2% of the outstanding aggregate principal amount of BCI 9% Notes have agreed with us to tender their notes and give their consents. See "The Exchange Offer and Consent Solicitation Exchange and Voting Agreement."

If the exchange offer and consent solicitation are not completed, we will evaluate our strategic alternatives regarding BCI. These may include the filing by BCI for protection under Chapter 11. If we choose to reorganize BCI under Chapter 11, holders of BCI 9% Notes will have senior subordinated debt claims against BCI, the surviving entity of the proposed merger to be effected upon consummation of the BCI preferred exchange offer. It is also possible we may choose to reorganize BCI under Chapter 11 following the consummation of the exchange offer and consent solicitation.

The proposed amendments to the indenture pursuant to which the BCI 9% Notes were issued will eliminate all restrictive covenants, including:

- the limitation on indebtedness;

- the limitation on restricted payments;
- the limitation on restrictions on distributions from restricted subsidiaries;
- the limitation on sales of assets and subsidiary stock;
- the limitation on affiliate transactions;
- the limitation on the sale or issuance of capital stock of restricted subsidiaries;
- the obligation to offer to repurchase the BCI 9% Notes upon a change of control;
- the obligation to file annual, quarterly and other reports with the SEC; and
- certain provisions of the limitation on asset sales and mergers.

See "Annex A Form of Supplemental Indenture."

The BCI board of directors has voted to recommend the exchange offer and consent solicitation to the holders of BCI 9% Notes. None of the Cincinnati Bell board of directors, the dealer manager and solicitation agent, or the exchange agent expresses any opinion, and each is remaining neutral to you as to whether or not to tender your BCI 9% Notes in the exchange offer and give your consent pursuant to the consent solicitation because the risks and benefits of the exchange offer to you will depend on your particular situation or status. Our board of directors has not made any determination that the exchange ratio represents a fair valuation of the BCI 9% Notes or the Cincinnati Bell Common Stock, and we have not obtained a fairness opinion from any financial advisor about the fairness of the exchange ratio to us or to you. In addition, we have not authorized anyone to make a recommendation regarding the exchange offer. You must make your own investment decision whether to tender your BCI 9% Notes in the exchange offer based upon your own assessment of the market value of the BCI 9% Notes, the likely value of the Cincinnati Bell Common Stock, your liquidity needs and your investment objectives.

Conditions to the Completion of the Exchange Offer and Consent Solicitation

Our obligation to complete the exchange offer and consent solicitation is subject to the following conditions described under "The Exchange Offer and Consent Solicitation Conditions of the Exchange Offer and Consent Solicitation":

- the tender of at least 95% of the outstanding aggregate principal amount of BCI 9% Notes and the accompanying consents;
- the registration statement, of which this prospectus and solicitation statement is a part, having been declared effective by the SEC;
- the absence of any threatened or pending litigation or other legal action relating to the exchange offer and consent solicitation;
- the absence of any material adverse change in the financial markets, any disruption in the banking system or any commencement of a war involving the United States (excluding the current U.S. military action in Iraq);

the absence of any merger, acquisition or other business combination proposal for Cincinnati Bell; and

the absence of any governmental approvals required in order to complete the exchange offer or consent solicitation.

Exchange and Voting Agreement

On March 24, 2003, we entered into an exchange and voting agreement with Harch Capital Management, Inc., Muzinich & Co. Credit and Allianz Investment Management, pursuant to which each of these holders of BCI 9% Notes agreed to tender all of their BCI 9% Notes and to consent to the amendments to the indenture governing the BCI 9% Notes. In addition, each party to the exchange and voting agreement agreed to use commercially reasonable efforts to complete the exchange offer and consent solicitation. In the aggregate, these holders own notes representing approximately 92.2% of the outstanding aggregate principal amount of BCI 9% Notes. See "The Exchange Offer and Consent Solicitation Exchange and Voting Agreement."

On June 6, 2003, we entered into an amendment to the exchange and voting agreement, pursuant to which each party to the amendment agreed to extend the termination date of the agreement to August 15, 2003 and to waive any default or event of default under the indenture governing the BCI 9% Notes that may result from the consummation of the sale of our broadband business.

Waiver and Release

Each holder of BCI 9% Notes by tendering and accepting Cincinnati Bell Common Stock pursuant to the exchange offer waives and releases Cincinnati Bell, BCI and their affiliates, and the respective directors, officers and employees of Cincinnati Bell, BCI and their affiliates from certain liabilities and claims against Cincinnati Bell, BCI or their affiliates, or against any of their respective officers, directors, employees and stockholders. See "The Exchange Offer and Consent Solicitation Waiver and Release."

Certain Risk Factors

Investment in the Cincinnati Bell Common Stock issuable in the exchange offer involves a high degree of risk. In deciding whether to tender your notes pursuant to the exchange offer and deliver related consents pursuant to the consent solicitation, you should carefully read this prospectus and solicitation statement, including the risk factors, as well as the documents incorporated by reference into this prospectus and solicitation statement. See "Risk Factors" for a more complete discussion of these and other factors to consider in connection with the exchange offer and consent solicitation.

Trading Price Information

Cincinnati Bell Common Stock is quoted on the NYSE under the symbol "CBB," and the last traded price for Cincinnati Bell Common Stock on the NYSE on June 19, 2003 was $6.55 per share. You are urged to obtain current market quotations.

Timing of the Exchange Offer and Consent Solicitation

We hope to complete the exchange offer and consent solicitation by the end of the third quarter of 2003. The exchange offer and consent solicitation are currently scheduled to expire on , 2003; however, we may extend the exchange offer and consent solicitation from time to time as necessary until all the conditions to the exchange offer and consent solicitation have been satisfied or, where permissible, waived. See "The Exchange Offer and Consent Solicitation Extension, Termination and Amendment."

Exchange of BCI 9% Notes

Upon the terms and subject to the conditions of the exchange offer, we will accept for exchange, and will exchange, BCI 9% Notes validly tendered and not properly withdrawn as promptly as practicable after the expiration date. We will retain all the BCI 9% Notes we receive in the exchange offer.

Procedures For Tendering and Delivering Consents

To validly tender your BCI 9% Notes pursuant to the exchange offer and consent to the proposed amendments pursuant to the consent solicitation, you must:

(1) complete, execute and transmit a consent and letter of transmittal, along with any required signature guarantees, or an agent's message, and any other required documents, to the exchange agent at the address set forth on the back cover of this prospectus and solicitation statement and certificates for tendered BCI 9% Notes must be received by the exchange agent at such address, or those BCI 9% Notes must be tendered pursuant to the procedures for book-entry tender set forth in "The Exchange Offer and Consent Solicitation" (and a confirmation of receipt of such tender received), in each case before the expiration date; or

(2) comply with the guaranteed delivery procedures set forth in "The Exchange Offer and Consent Solicitation Guaranteed Delivery."

Holders of BCI 9% Notes tendered via book entry or guaranteed delivery procedures will still be required to complete and execute the consent and letter of transmittal.

Withdrawal of Tenders and Revocation of Consents

To withdraw your notes from the exchange offer and to revoke related consents from the consent solicitation, send a written or facsimile transmission notice of withdrawal to the exchange agent at the appropriate address specified on the back cover of this prospectus and solicitation statement prior to the expiration date. Your notice of withdrawal must comply as to form with the requirements set forth in this prospectus and solicitation statement. See "The Exchange Offer and Consent Solicitation Withdrawal of Tenders and Revocation of Consents."

Exchange Agent and Dealer Manager and Solicitation Agent

Questions and requests for assistance may be directed to The Bank of New York, the exchange agent, or to Lehman Brothers, the dealer manager and solicitation agent, at their respective addresses and telephone numbers set forth on the back cover of this prospectus and solicitation statement. Requests for additional copies of this prospectus and solicitation statement and the consent and letter of transmittal may be directed to The Bank of New York or Lehman Brothers.

Accounting Treatment

Our acquisition of the BCI 9% Notes through the exchange offer will be accounted for as an extinguishment of debt. As such, there would be a gain or loss upon consummation of the exchange that will be recorded on the statement of operations of BCI and, through consolidation, Cincinnati Bell's statement of operations.

BCI will eliminate the BCI 9% Notes, with a carrying value of $46.0 million, from its balance of long-term debt and record a gain or loss in its statement of operations to the extent the carrying value of the BCI 9% Notes of $46.0 million, exceeds or is less than the fair value of Cincinnati Bell Common Stock issued in the exchange offer. The fair value of the Cincinnati Bell Common Stock issued in the exchange offer would be reflected as a payable to Cincinnati Bell on BCI's balance sheet. We will record a receivable from BCI in the amount of the fair value of Cincinnati Bell Common Stock issued in the exchange offer. We will also record an increase in additional paid-in capital to the extent the fair value of Cincinnati Bell Common Stock issued in the exchange offer exceeds its par value.

On a consolidated basis, long-term debt as reflected in BCI's balance sheet with a carrying value of $46.0 million will be eliminated and the amount of additional paid-in capital and par value of Cincinnati Bell Common Stock issued will increase by the fair value of the common stock issued upon consummation of the exchange. The difference between the carrying value of long-term debt eliminated and fair value of Cincinnati Bell Common Stock issued will be recorded as a gain or loss on the exchange in the statement of operations.

Certain U.S. Federal Income Tax Considerations

The exchange of BCI 9% Notes for Cincinnati Bell Common Stock will be a taxable exchange for U.S. Federal income tax purposes. You will recognize gain or loss on the exchange equal to the difference between the fair market value of the Cincinnati Bell Common Stock (including fractional shares) exchanged for your BCI 9% Notes and your tax basis in the BCI 9% Notes surrendered in the exchange. For a further discussion of certain U.S. Federal income tax considerations relating to the exchange offer that might be applicable to you, see "Certain

U.S. Federal Income Tax Considerations."

RISK FACTORS

In deciding whether to tender your notes pursuant to the exchange offer and deliver related consents pursuant to the consent solicitation, we urge you to read this prospectus and solicitation statement and the documents incorporated by reference into this prospectus and solicitation statement carefully. You should also consider the risk factors described below.

Risk Factors Related to the Exchange Offer and Consent Solicitation

Because the number of shares of Cincinnati Bell Common Stock that you receive in the exchange offer is fixed, the value of the shares of Cincinnati Bell Common Stock at the time you receive them could be less than their value at the time you tender your BCI 9% Notes.

In the exchange offer, each $1,000 aggregate principal amount of BCI 9% Notes will be exchanged for 241.06 shares of Cincinnati Bell Common Stock. This is a fixed exchange ratio. The exchange offer does not provide for an adjustment in the exchange ratio even if there is an increase or a decrease in the trading price of the Cincinnati Bell Common Stock between the date of this prospectus and solicitation statement and the expiration date of the exchange offer and consent solicitation. The value of 241.06 shares of Cincinnati Bell Common Stock across a range of trading prices is provided in chart form in "Summary The Exchange Offer and Consent Solicitation." The trading price of the Cincinnati Bell Common Stock will likely be different on the date of the expiration of the exchange offer and consent solicitation than it is today because of ordinary trading fluctuations as well as changes in the business, operations or prospects of Cincinnati Bell, market reactions to the exchange offer and consent solicitation and the restructuring plan, possible other acquisitions or dispositions by us, general market and economic conditions and other factors. See "Stock Prices and Dividends."

The trading price of Cincinnati Bell Common Stock may be volatile and securities class actions resulting from such volatility may have a material impact on the financial condition and operating results of our business.

The trading price of Cincinnati Bell Common Stock may fluctuate substantially as a result of periodic variations in the actual or anticipated financial results of our businesses or of other companies in the telecommunications industry. In addition, the stock market has experienced price and volume fluctuations due to the general weakness in the U.S. economy and other factors that have affected the trading price of many telecommunications stocks. These fluctuations have sometimes been unrelated or disproportionate to the operating performance of these companies. Fluctuations such as these have affected and are likely to continue to affect the trading price of Cincinnati Bell Common Stock. For example, during the fifty-two week period ended May 31, 2003, the high and low closing sales prices per share of Cincinnati Bell Common Stock were $5.25 and $1.15, respectively.

Furthermore, securities class actions have often been instituted against companies following periods of volatility and decline in the trading prices of such companies' securities. In 2002 and 2003, a number of putative class action and derivative lawsuits were filed against us and our officers and directors. These lawsuits allege violations of, *inter alia*, the securities laws and the Employee Retirement Income Security Act of 1974, as amended. We intend to defend these actions vigorously. However, such litigation could result in substantial costs and have a material impact on the financial condition and operating results of our business. We could be required to pay substantial damages, including compensatory damages, attorneys' fees and other costs, if we were to lose any of these lawsuits.

The trading price of Cincinnati Bell Common Stock may decline due to future issuances of shares.

As of March 31, 2003, there were approximately 218,952,904 million shares of Cincinnati Bell Common Stock outstanding. Each depositary share representing one-twentieth of a share of our $6^3/_4$% Preferred Stock (as described in "Description of Cincinnati Bell Capital Stock") may be redeemed at any time at the option of the holders, for 1.44 shares of Cincinnati Bell Common Stock, or 4,477,410 total shares, and our Convertible Subordinated Notes may be redeemed at the option of the holders for shares of Cincinnati Bell Common Stock at an initial conversion price of $29.89 per share, or 17,107,503 total shares, based on the accreted value of the Convertible Subordinated Notes as of March 31, 2003. In connection with the Goldman mezzanine financing, we issued 17,500,000 warrants, each to purchase one share of Cincinnati

Bell Common Stock at $3.00 per share. These warrants are exercisable at any time until March 26, 2013. If the exchange offer is completed and the entire outstanding aggregate principal amount of BCI 9% Notes outstanding is tendered and accepted for exchange, we will issue an additional 11,076,707 shares of Cincinnati Bell Common Stock. If the BCI preferred exchange offer is completed and all outstanding shares of BCI Preferred Stock are tendered and accepted for exchange, we will issue an additional 14,148,518 shares of Cincinnati Bell Common Stock. In addition, our board of directors has approved the grant of options to purchase an aggregate of 50,000,000 shares to our employees, executives and directors and, as of March 31, 2003, options to purchase 36,487,000 of these shares have been issued and remain outstanding. The issuance or expected issuance of a large number of shares of Cincinnati Bell Common Stock (or unexercised warrants convertible into Cincinnati Bell Common Stock) at any time after the date of this prospectus and solicitation statement could negatively affect the trading price of Cincinnati Bell Common Stock.

The sole director of BCI has potential conflicts of interest with respect to the exchange offer, consent solicitation and the supplemental indenture; our board of directors has potential conflicts of interest with respect to the exchange offer and consent solicitation.

You should be aware that certain significant conflicts of interest exist for the sole member of the BCI board of directors. Thomas L. Schilling, the sole member of the BCI board of directors, also serves as the Chief Financial Officer of Cincinnati Bell. Mr. Schilling's compensation is ultimately determined by the compensation committee of the Cincinnati Bell board of directors. In addition, on February 3, 2003, we entered into an amended employment agreement with Mr. Schilling, whereby Mr. Schilling was incentivized to sell our broadband business, amend the terms of the credit facilities and remain at Cincinnati Bell through the completion of our restructuring plan. Since these objectives have been achieved, Mr. Schilling is entitled to a success bonus equal to 50% of the sum of his annual base salary plus his bonus target. We do not expect that the exchange offer and consent solicitation or the supplemental indenture will be evaluated by any independent directors of BCI. See "Relationship Between Cincinnati Bell and BCI Relationship of Directors and Executive Officers of BCI with Cincinnati Bell."

You should also be aware that Cincinnati Bell's directors and executive officers have interests in the restructuring plan that are different from, or in addition to, or that might conflict with, the interests of the holders of the BCI 9% Notes. See "Relationship Between Cincinnati Bell and BCI Relationship of Directors and Executive Officers of BCI with Cincinnati Bell" for a description of potential conflicts of interest between Cincinnati Bell's directors and executive officers and the holders of the BCI 9% Notes. Our board of directors was aware of these interests and conflicts when it determined to approve the exchange offer and consent solicitation pursuant to the restructuring plan.

The proposed amendments to the indenture will eliminate many protections intended for the holders of BCI 9% Notes.

If the exchange offer and consent solicitation are completed, the proposed amendments to the indenture pursuant to which the BCI 9% Notes were issued will eliminate all restrictive covenants. See "The Exchange Offer and Consent Solicitation The Proposed Amendments" for a description of the proposed amendments to the indenture for the BCI 9% Notes.

If the proposed amendments are adopted, the amended terms of the BCI 9% Notes will afford less protection to holders than that currently set forth in the indenture. If the exchange offer and consent solicitation are completed, each non-exchanging holder of BCI 9% Notes will be bound by the proposed amendments even if such holder did not consent to the proposed amendments.

Consents with respect to at least a majority in principal amount of the outstanding BCI 9% Notes must be received in order to amend the indenture under which the BCI 9% Notes were issued. As of March 31, 2003, holders of notes representing approximately 92.2% of the outstanding aggregate principal amount of BCI 9% Notes have agreed with Cincinnati Bell to tender their notes and give their consents. See "The Exchange Offer and Consent Solicitation Exchange and Voting Agreement." Each non-exchanging holder of BCI 9% Notes will be bound by such amended indenture even if such holder did not give its consent.

The liquidity of BCI 9% Notes after the completion of the exchange offer and consent solicitation will be reduced.

If some holders of BCI 9% Notes do not elect to participate in the exchange offer there may be BCI 9% Notes outstanding after our acceptance of the notes tendered pursuant to the exchange offer.

The trading market for BCI 9% Notes outstanding immediately after the exchange offer could become limited or nonexistent due to the reduction in the amount of BCI 9% Notes outstanding after completion of the exchange offer. If a market for the unexchanged BCI 9% Notes exists after consummation of the exchange offer, the BCI 9% Notes may trade at a discount to the price at which they would trade if the exchange offer had not been consummated, depending on prevailing interest rates, the market for similar securities and other factors. We cannot assure you that an active market in the unexchanged BCI 9% Notes will exist or be maintained and cannot assure you as to the prices at which the unexchanged BCI 9% Notes may trade.

Upon the execution of the supplemental indenture and the consummation of the exchange offer and consent solicitation and the BCI preferred exchange offer, BCI will no longer be required to file reports with the SEC pursuant to the Exchange Act.

Pursuant to the terms of the indenture governing the BCI 9% Notes and the certificate of designation governing the BCI Preferred Stock, BCI is required to file periodic reports with the SEC as specified in Sections 13 and 15(d) of the Exchange Act. In connection with the BCI preferred exchange offer, we are also currently soliciting consents to amend the BCI Preferred Stock certificate of designation to eliminate BCI's periodic reporting requirements. Holders of shares representing at least 66$\frac{2}{3}$% of the outstanding shares of BCI Preferred Stock must consent to an amendment of the BCI Preferred Stock certificate of designation, and as of March 31, 2003 holders of shares representing approximately of 67.4% of the outstanding shares of BCI Preferred Stock have already agreed to give their consents. Upon the effectiveness of the proposed amendments, the indenture governing the BCI 9% Notes will no longer require BCI to file reports with the SEC.

BCI's status as a non-filing company would limit the amount of information about BCI that it would be required to make publicly available under the Exchange Act and could have a negative

impact on the trading market of any BCI 9% Notes outstanding after the completion of the exchange offer and consent solicitation.

Anti-takeover provisions of Ohio General Corporation Law, our amended articles of incorporation and our rights agreement may affect the value of the Cincinnati Bell Common Stock.

Certain provisions of the Ohio General Corporation Law may discourage or prevent a third party from acquiring control of Cincinnati Bell. Such provisions may discourage bids for the Cincinnati Bell Common Stock at a premium over the trading price and may adversely affect the trading price and voting and other rights of the holders of Cincinnati Bell Common Stock.

Our amended articles of incorporation authorize our board of directors to issue Series A Preferred Stock in connection with our rights agreement. Under our rights agreement, rights attach to each share of Cincinnati Bell Common Stock outstanding and, when exercisable, entitle the registered holder to purchase from Cincinnati Bell one one-thousandth of a share of Cincinnati Bell Series A Preferred Stock. The issuance of Cincinnati Bell Series A Preferred Stock could make it more difficult for a third party to acquire us. We have no present plans to issue shares of Series A Preferred Stock. See "Description of Cincinnati Bell Capital Stock Preferred Stock" and "Description of Cincinnati Bell Capital Stock Anti-takeover Effects of Ohio Law" for a more complete description of our capitalization and the effects of the Ohio General Corporation Law on certain actions that we may take.

Risk Factors Related to the Business of Cincinnati Bell

Our financial condition could be adversely affected if we are unable to realize fully our deferred tax assets.

As of March 31, 2003, we had total deferred tax assets of $1,179 billion, including a deferred tax asset of $270 million relating to $771 million of U.S. Federal net operating loss carryforwards and a deferred tax asset of $143 million relating to state and local net operating loss carryforwards. In addition, we had other deferred tax assets, principally related to the fourth quarter 2002 impairment charge related to our broadband business. As of March 31, 2003, a valuation allowance of $1,175 million was recorded against our total deferred tax assets of $1,179 million. For more information concerning our net operating loss carryforwards, deferred tax assets and valuation allowance, see Note 11 of Notes to Consolidated Financial Statements, included in our Annual Report on Form 10-K for the year ended in December 31, 2002. If we are unable fully realize our deferred tax assets, as a result of insufficient taxable income or otherwise, our business, financial condition and results of operations could be adversely affected.

Our substantial debt could limit our ability to fund operations, expose us to interest rate volatility, limit our ability to raise additional capital and have a material adverse effect on our ability to fulfill our obligations and on our business and prospects generally.

We have a substantial amount of debt and have significant debt service obligations. As of March 31, 2003, we had outstanding indebtedness of $2,540.4 million and a total shareholders' deficit of $2,378.4 million. As of March 31, 2003, we had the ability to borrow an additional $268.9 million under our revolving credit facility, subject to compliance with certain conditions. On March 26, 2003, we completed an amendment to our credit facilities, which included the extension of the maturity of our revolving credit facility from 2004 to 2006, and the acceleration of a portion of our term loan facilities from 2004 to 2003.

Our substantial debt could have important consequences to you, including the following:

- we will be required to use a substantial portion of our cash flow from operations to pay principal and interest on our debt, thereby reducing the availability of our cash flow to fund

working capital, capital expenditures, strategic acquisitions, investments and alliances and other general corporate requirements;

- our interest expense could increase if interest rates in general increase because a substantial portion of our debt bears interest at floating rates;

- our substantial debt will increase our vulnerability to general economic downturns and adverse competitive and industry conditions and could place us at a competitive disadvantage compared to those of our competitors that are less leveraged;

- our debt service obligations could limit our flexibility to plan for, or react to, changes in our business and the industry in which we operate;

- our level of debt may restrict us from raising additional financing on satisfactory terms to fund working capital, capital expenditures, strategic acquisitions, investments and joint ventures and other general corporate requirements; and

- a potential failure to comply with the financial and other restrictive covenants in our debt instruments, which, among other things, require us to maintain specified financial ratios could, if not cured or waived, have a material adverse effect on our ability to fulfill our obligations and on our business and prospects generally.

The servicing of our indebtedness will require a significant amount of cash, and our ability to generate cash depends on many factors beyond our control.

Our ability to generate cash is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations, additional sources of debt financing will be available to us or that future borrowings will be available to us under the credit facilities, in each case, in amounts sufficient to enable us to service our indebtedness or to fund our other liquidity needs. If we cannot service our indebtedness, we will have to take actions such as reducing or delaying capital expenditures, strategic acquisitions, investments and joint ventures, selling assets, restructuring or refinancing indebtedness or seeking additional equity capital, which may adversely affect our customers and affect their willingness to remain customers. We cannot assure you that any of these remedies could, if necessary, be effected on commercially reasonable terms, or at all. In addition, the terms of existing or future debt instruments may restrict us from adopting any of these alternatives.

If we fail to successfully implement the restructuring plan, our business, financial condition and results of operations would be adversely affected.

There can be no assurances that the restructuring plan or any of the restructuring initiatives under the restructuring plan will be successful. The first stage closing of the sale of our broadband business was completed on June 13, 2003. The final two stages of the sale of our broadband business are expected to close by the end of the third quarter of 2003. There can be no assurance that the exchange offer and consent solicitation or the BCI preferred exchange offer will be successfully completed. If we fail to successfully implement the restructuring plan, our business, financial condition and results of operations would be adversely affected.

We depend upon our credit facilities to provide for our financing requirements in excess of amounts generated by operations.

We depend on the credit facilities to provide for financing requirements in excess of amounts generated by operations. As of March 31, 2003, we had the ability to borrow an additional $268.9 million under our credit facilities. However, the ability to borrow from the credit facilities is predicated on our and our subsidiaries' compliance with covenants that have been negotiated with the lenders. Failure to satisfy these covenants could severely constrain our ability to borrow under the credit facilities. As of March 31, 2003, we were in compliance with all of the covenants of our credit facilities.

Our credit facilities and other debt instruments contain covenants which impose significant operational and financial restrictions on us and the failure to comply with these covenants would result in an event of default under these instruments.

Our debt instruments impose, and the terms of any future debt may impose, operating and other restrictions. These restrictions will affect, and in many respects will limit or prohibit, among other things, our and our subsidiaries' ability to:

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

In addition, our credit facilities include other and more restrictive covenants and materially limit our ability to prepay other debt and preferred stock while debt under the credit facilities is outstanding. The agreements governing the credit facilities also require us to achieve specified financial and operating results and maintain compliance with specified financial ratios. We have a substantial amount of debt and it is uncertain whether we will continue to remain in compliance with these agreements.

The restrictions contained in the terms of the credit facilities and our other debt instruments could:

limit our ability to plan for or react to market conditions or meet capital needs or otherwise restrict our activities or business plans; and

adversely affect our ability to finance our operations, strategic acquisitions, investments or alliances or other capital needs or to engage in other business activities that would be in our interest.

A breach of any of these restrictive covenants or our inability to comply with the required financial ratios could result in a default under the credit facilities. See " We depend upon our credit facilities to provide for our financing requirements in excess of amounts generated by operations" for a description of the effects of a default under the credit facilities.

We operate in a highly competitive industry and our customers may not continue to purchase our services, which could result in our having reduced revenues and loss of market share.

There is substantial competition in the telecommunications industry. Competition may intensify due to the efforts of existing competitors to address difficult market conditions through reduced pricing, bundled offerings or otherwise, as well as a result of the entrance of new competitors and the development of new technologies, products and services. If we cannot offer reliable, value-added services on a price competitive basis in any of our markets, we could be adversely impacted by competitive forces. In addition, if we do not keep pace with technological advances or fail to respond timely to changes in competitive factors in the industry, we could lose market share or experience a decline in our revenue and profit margins.

Cincinnati Bell Telephone faces competition from other local exchange carriers, wireless services providers, interexchange carriers, cable providers and Internet access providers. We believe Cincinnati Bell Telephone will face greater competition as more competitors emerge and focus resources on the Greater Cincinnati metropolitan area.

Cincinnati Bell Wireless is one of six active wireless service providers in the Cincinnati and Dayton, Ohio metropolitan market areas, including Cingular, Sprint PCS, T-Mobile, Verizon and Nextel, all of which are nationally known. We anticipate that competition will cause the market prices for wireless products and services to decline in the future. Cincinnati Bell Wireless's ability to compete will depend, in part on its ability to anticipate and respond to various competitive factors affecting the telecommunications industry. Furthermore, there has been a trend in the wireless communications industry towards consolidation of wireless service providers through joint ventures, reorganizations and acquisitions. We expect this consolidation to lead to larger competitors who have greater resources or who offer more services than Cincinnati Bell Wireless.

Our other subsidiaries operate in a largely local or regional area, and each of these subsidiaries faces significant competition. Cincinnati Bell Any Distance's competitors include large national long-distance carriers such as AT&T Corp., WorldCom Inc. and Sprint Corporation. Cincinnati Bell Public Communications competes with several other public payphone providers, some of which are national in scope and offer lower prices for coin-based local calling services. Our payphone subsidiary, Cincinnati Bell Public Communications, has also continued to be adversely impacted by the growing popularity of wireless communications. Cincinnati Bell Technology Solutions competes against numerous other information technology consulting, web-hosting and computer system integration companies, many of which are larger, national in scope and better financed.

The effect of the foregoing competition could have a material adverse impact on our businesses, financial condition and results of operations. This could result in increased reliance of borrowed funds and could impact our ability to maintain our optical, wireline and wireless networks.

Maintaining our networks requires significant capital expenditures and our inability or failure to maintain our networks would have a material impact on our market share and ability to generate revenue.

As we approached completion of the buildout of BCI's national optical network, capital expenditures of $844 million in 2000 decreased to $649 million in 2001, and decreased again in 2002 to $176 million. In the first quarter of 2003, capital expenditures totaled $22.0 million compared to $52.7 million in the first quarter of 2002. We may incur significant additional capital expenditures as a result of unanticipated expenses, regulatory changes and other events that impact our business. If we are unable or fail to adequately maintain our networks, there would be a material adverse impact on market share and ability to generate revenue.

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

Several of our subsidiaries are subject to regulatory oversight of varying degrees at both the state and federal levels. A significant portion of Cincinnati Bell Telephone's revenue is derived from pricing plans that require regulatory overview and approval. Different interpretations by regulatory bodies may result in adjustments to revenue in future periods. In recent years, these regulated pricing plans have resulted in decreasing or fixed rates for some services. In the future, regulatory initiatives that would put us at a competitive disadvantage or mandate lower rates for our services could result in lower profitability and cash flow for us.

At the federal level, Cincinnati Bell Telephone is subject to the Telecommunications Act of 1996, including the rules subsequently adopted by the FCC to implement the 1996 Act, which we expect to impact Cincinnati Bell Telephone's in-territory local exchange operations in the form of greater competition.

At the state level, Cincinnati Bell Telephone conducts local exchange operations in portions of Ohio, Kentucky and Indiana and, consequently, is subject to regulation by the Public Utilities Commissions in those states. In Ohio, the Public Utility Commission has concluded a proceeding to establish permanent rates that Cincinnati Bell Telephone can charge to competitive local exchange carriers for unbundled network elements, although some elements will remain subject to interim rates indefinitely. The Kentucky commission recently initiated a similar case to establish rates for unbundled network elements in Kentucky. The establishment of these rates is intended to facilitate market entry by competitive local exchange carriers. Cincinnati Bell Telephone is also subject to an Alternative Regulation Plan in Ohio. The current plan gives Cincinnati Bell Telephone pricing flexibility in several competitive service categories in exchange for its commitment to freeze certain basic residential service rates during the term of the plan. The term of the current plan will expire on June 30, 2004. Failure to obtain approval of a new plan after the June 30, 2004 expiration date with similar pricing flexibility could have an adverse impact on its operations.

Cincinnati Bell Wireless' FCC licenses to provide wireless services are subject to renewal and revocation. Although the FCC has routinely renewed wireless licenses in the past, we cannot be assured that challenges will not be brought against those licenses in the future. Revocation or non-renewal of Cincinnati Bell Wireless' licenses would result in lower operating results and cash flow for Cincinnati Bell.

There are currently many regulatory actions under way and being contemplated by federal and state authorities regarding issues that could result in significant changes to the business conditions in the telecommunications industry. No assurance can be given that changes in current or future regulations adopted by the FCC or state regulators, or other legislative, administrative, or judicial initiatives relating to the telecommunications industry, would not have a material adverse effect on our business, financial condition and results of operations.

Our success in the telecommunications industry depends on the introduction of new products and services.

Our success depends, in part, on being able to anticipate the needs of current and future enterprise, carrier and residential customers. We seek to meet these needs through new product introductions, service quality and technological superiority. In 2003, we have begun to implement the Global System for Mobile Communications and General Packet Radio Service, or GSM/GPRS, technology. GSM/GPRS technology provides enhanced wireless data and voice communications. Several

competitors as well as our wireless partner, AT&T Wireless, have announced plans to begin, or have begun, using GSM/GPRS or a comparable technology in their national networks. We are also investigating the implementation of the next generation of high-speed voice and data communications with very-high-speed digital subscribed lines, or VDSL. New products and services such as these and our ability to anticipate the future needs of our customers are critical to our success.

Continuing softness in the U.S. economy is having a disproportionate effect in the telecommunications industry.

In 2001, the business environment for the telecommunications industry deteriorated significantly and rapidly and remains weak. This was primarily due to: the general weakness in the U.S. economy, which was exacerbated by the events of September 11, 2001, and concerns regarding terrorism; pressure on prices for broadband services due to substantial excess fiber capacity in most markets; and forecasted demand for broadband services not being realized as a result of the state of the economy, the bankruptcy or liquidation of a substantial number of Internet companies, and financial difficulties experienced by many telecommunications customers. We expect these trends to continue, including reduced business from financially troubled customers and downward pressure on prices due to reduced demand and overcapacity. If these trends do continue, there could be a material adverse impact on our business, financial condition and results of operations.

Terrorist attacks and other acts of violence or war may affect the financial markets and our business, financial condition and results of operations.

As a result of the September 11, 2001 terrorist attacks and subsequent events, there has been considerable uncertainty in world financial markets. The full effect of these events, as well as concerns about future terrorist attacks, on the financial markets is not yet known, but could adversely affect our ability to obtain financing on terms acceptable to us, or at all, to finance our capital expenditures or working capital.

Terrorist attacks may negatively affect our operations and financial condition. There can be no assurance that there will not be further attacks against the United States or U.S. businesses or armed conflict involving the United States. Additionally, the recent escalation in tensions between the United States and Iraq has resulted in U.S. military action in Iraq. Further terrorist attacks or other acts of violence or war may directly impact our physical facilities or those of our customers and vendors. These events could cause consumer confidence and spending to decrease or result in increased volatility in the United States and world financial markets and economy. They could result in an economic recession in the United States or abroad. Any of these occurrences could have a material adverse impact on our business, financial condition and results of operations.

We expect significant changes in the wireless communications industry.

The wireless communications industry is experiencing significant technological change. This includes the increasing pace of digital upgrades, evolving industry standards, ongoing improvements in the capacity and quality of digital technology, shorter development cycles for new products and changes in consumer needs and preferences. Our Cincinnati Bell Wireless subsidiary currently offers its services over a digital wireless network using Time Division Multiple Access, or TDMA, technology. In 2003 we have begun to implement GSM/GPRS technology, which several competitors, as well as our wireless partner, AT&T Wireless, have already begun using. This new technology will run in parallel with the existing TDMA technology for the foreseeable future. However, the prospects of our wireless business will depend on the success of our conversion to GSM/GPRS technology and on our ability to anticipate and adapt to future changes in the wireless communications industry.

Risk Factors Related to BCI

BCI's substantial debt could limit its ability to fund operations, limit its ability to raise additional capital and have a material adverse effect on its ability to fulfill its obligations and on its business generally.

BCI is highly leveraged and has significant debt service obligations. As of March 31, 2003, BCI had aggregate outstanding indebtedness of $1,772.8 million and a total shareholders' deficit of $2,562 million. Of BCI's debt outstanding as of March 31, 2003, $1,501.1 million is debt owed to Cincinnati Bell.

BCI's substantial debt could have important consequences to you, including the fact that it will be required to use a substantial portion of its cash flow from remaining operations to pay principal and interest on its debt, thereby reducing the availability of its cash flow to make interest and principal payments on the BCI 9% Notes, fund working capital, capital expenditures, and other general corporation requirements.

The servicing of BCI's indebtedness will require a significant amount of cash, and BCI's ability to generate cash depends on many factors beyond its control; Cincinnati Bell's ability to finance BCI's operations is restricted.

BCI expects to obtain needed cash from operations and, to the limited extent still allowed under various credit documents, from intercompany loans from Cincinnati Bell. BCI's ability to generate cash is also subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control. BCI cannot assure you that its remaining business will generate sufficient cash flow from operations, additional sources of funding will be available to it, or that future borrowings will be available to it in amounts sufficient to enable it to service its indebtedness or to fund its other liquidity needs.

On March 26, 2003, we received $350 million of gross cash proceeds from the issuance of the 16% Notes as part of the Goldman mezzanine financing. The 16% Notes indenture contains numerous restrictions on the ability of Cincinnati Bell to make further investments in BCI. See "Description of Cincinnati Bell and BCI Indebtedness Cincinnati Bell 16% Senior Subordinated Discount Notes due 2009" for a description of the restrictions on our ability to make investments in BCI under the 16% Notes indenture.

In the past, we have made capital contributions and intercompany loans to BCI to finance BCI's operating activities and other obligations, including its preferred stock dividends and repayments of long-term debt. In 2002, BCI received intercompany loans from us of $23.3 million and capital contributions of $1.9 million. In the three-month period ended March 31, 2003, BCI received intercompany loans from us of $8.3 million and no capital contributions. Because the 16% Notes indenture and the amended terms of the credit facilities have restricted our ability to continue funding BCI, as of May 31, 2003, we had the ability to invest an additional $30.7 million in BCI. If BCI requires funds in excess of the amounts permitted by the 16% Notes indenture and the amended terms of the credit facilities, there can be no assurances that the holders of the 16% Notes or the lenders under the credit facilities will consent to us investing additional money to allow BCI to meet its obligations.

As of March 31, 2003, BCI's subsidiary, BCSI Inc., had borrowed $223.0 million under our credit facilities. However, the amended terms of our credit facilities prohibit any additional borrowings by BCI or its subsidiaries. Because BCI has relied on our credit facilities in the past to fund its operations, the restrictions on future borrowings might adversely affect its ability to access sufficient cash to meet its obligations.

The uncertainty of future cash flows of BCI combined with the funding constraints discussed above have prompted PricewaterhouseCoopers LLP, BCI's independent accountants, to include a going concern explanatory paragraph in their report filed in connection with the stand-alone financial statements of BCI. The going concern explanatory paragraph means that, in the opinion of PricewaterhouseCoopers LLP, there exists substantial doubt about BCI's ability to continue as a going concern and its ability to realize its assets and discharge its liabilities in the normal course of business. If BCI is unable to finance its operations or meet its remaining obligations going forward, it may be forced to seek protection from its creditors under Chapter 11, whether or not the exchange offer is consummated, in which case holders of the BCI 9% Notes will have senior subordinated debt claims against BCI, the surviving entity of the proposed merger to be effected upon consummation of the BCI preferred exchange offer.

There will be little or no remaining cash proceeds from the sale of our broadband business to fund BCI's general corporate requirements.

There will be little or no remaining net cash proceeds from the sale of our broadband business to fund BCI's working capital, capital expenditures and other general corporate requirements. Under the amended terms of our credit facilities, the proceeds from the sale of our broadband business may be used to pay BCI's remaining liabilities and claims not assumed by the buyers. Any remaining net proceeds will be applied 60% to prepay our credit facilities and 40% to pay certain of BCI's other obligations, provided that, in the event of a bankruptcy of BCI or any of its subsidiaries, 100% of any such remaining net proceeds must be applied to prepay our credit facilities. If there are any proceeds remaining after BCI's obligations have been satisfied, those amounts must be applied to pay down our credit facilities.

BCI depends on the receipt of dividends or other intercompany transfers from its subsidiaries.

BCI conducts substantially all of its operations through its subsidiaries and substantially all of its operating assets are held directly by its subsidiaries. BCI will therefore be dependent upon dividends or other intercompany transfers of funds from these subsidiaries in order to make interest and principal payments on or redeem the BCI 9% Notes and to meet its other obligations. See "Unaudited Pro Forma Condensed Consolidated Financial Information BRCOM Inc." for BCI's pro forma results of operations and balance sheet after giving effect to the sale of the broadband business.

Accordingly, in the event of the dissolution, bankruptcy, liquidation or reorganization of BCI, amounts may not be available for payments on the BCI 9% Notes until after the payment in full of the claims of creditors of its subsidiaries.

BCI may be forced to file for protection under Chapter 11.

If the exchange offer is not completed, BCI may be forced to seek an alternative to exchanging the BCI 9% Notes. BCI may consider filing for protection under Chapter 11, through which BCI's plan of reorganization could be on terms less favorable to holders of BCI 9% Notes than the terms of the exchange offer. In addition, there is a risk that distributions, if any, to holders of BCI 9% Notes under a liquidation or under a protracted and non-orderly restructuring would be substantially delayed and diminished. It is also possible we may choose to reorganize BCI under Chapter 11 following the consummation of the exchange offer and consent solicitation.

Following the completion of the remaining portion of the sale of our broadband business, substantially all of the operating assets of certain of BCI's subsidiaries will have been sold and BCI will have retained substantial liabilities and contingent liabilities.

BCI conducts substantially all of its operations through its subsidiaries and is therefore dependent upon dividends or other intercompany transfers of funds from its subsidiaries in order to meet its obligations. Following the completion of the remaining portion of the sale of our broadband business, the only remaining BCI subsidiaries with operating assets will be Cincinnati Bell Technology Solutions Inc., an information technology consulting subsidiary, and BTI Inc., a subsidiary whose assets service Cincinnati Bell's long distance business. See "Unaudited Pro Forma Condensed Consolidated Financial Information BRCOM Inc." for BCI's pro forma results of operations and balance sheet after giving effect to the sale of our broadband business. Upon the completion of the sale of our broadband business, BCI will retain substantial liabilities. In addition, BCI will retain obligations related to its contingent liabilities, including an ongoing contract dispute over BCI's agreement to construct a fiber route system. Although we believe BCI is due significant amounts under the contract, the timing and outcome of this dispute is not currently predictable. For more information concerning this contingent liability, see Note 20 of Notes to Consolidated Financial Statements, included in our Annual Report on Form 10-K for the year ended December 31, 2002. The carrying value of the current and long-term liabilities to be retained totaled $1,654.8 million and $301.7 million, respectively, as of March 31, 2003.

Furthermore, there will be little or no remaining net cash proceeds from the sale of our broadband business to fund BCI's working capital, capital expenditures and other general corporate requirements. Under the amended terms of our credit facilities, the proceeds from the sale of our broadband business may be used to pay BCI's remaining liabilities and claims not assumed by the buyers. Any remaining net proceeds will be applied 60% to prepay our credit facilities and 40% to pay certain of BCI's other obligations, provided that, in the event of a bankruptcy of BCI or any of its subsidiaries, 100% of any such remaining net proceeds must be applied to prepay our credit facilities. If there are any proceeds remaining after those BCI obligations have been satisfied, those amounts must be applied to pay down Cincinnati Bell's credit facilities. There can be no assurances that BCI will be able to generate sufficient cash from its remaining operations, that Cincinnati Bell will be able or willing to make intercompany loans to BCI or that additional sources of financing will be available to BCI to enable BCI to service the substantial liabilities remaining from the sale of our broadband business or to fund its other liquidity needs. If BCI is unable to fund its operations after the sale of substantially all of its operating assets, BCI may explore alternative transactions or sources of financing, including borrowing money or raising equity capital. There can be no assurances that any such transactions could be consummated on acceptable terms, or at all.

FORWARD-LOOKING STATEMENTS

This prospectus and solicitation statement contains forward-looking statements, which are based on our (together with our majority-owned consolidated subsidiaries over which we exercise control) current expectations, estimates and projections. Statements that are not historical facts, including statements about the beliefs, expectations and future plans and strategies of Cincinnati Bell, are forward-looking statements. These include any statements regarding:

- future revenue, profit percentages, income tax refunds, realization of deferred tax assets, earnings per share or other results of operations;
- the continuation of historical trends;
- the sufficiency of cash balances and cash generated from operating and financing activities for future liquidity and capital resource needs;
- the effect of legal and regulatory developments;
- the expected results of our various restructuring plan initiatives; and
- the economy in general or the future of the communications services industries.

Actual results may differ materially from those expressed or implied in forward-looking statements. These statements involve potential risks and uncertainties, which include, but are not limited to:

- changing market conditions and growth rates within the telecommunications industry or generally within the overall economy;
- world and national events that may affect our ability to provide services or the market for telecommunications services;
- changes in competition in markets in which we operate;
- pressures on the pricing of our products and services;
- advances in telecommunications technology;
- the ability to generate sufficient cash flow to fund our business plan and maintain our networks;
- the ability to refinance our indebtedness when required on commercially reasonable terms;
- our ability to continue to finance BCI;
- changes in the telecommunications regulatory environment;
- changes in the demand for our services and products;
- the demand for particular products and services within the overall mix of products sold, as our products and services have varying profit margins;
- our ability to procure key network components from key vendors;
- our ability to rely on portions of other companies' networks under operating leases and IRU agreements;
- our ability to introduce new service and product offerings in a timely and cost effective basis;
- our ability to attract and retain highly qualified employees;
- our ability to access capital markets and the successful execution of restructuring initiatives; and
- volatility in the stock market, which may affect the value of our stock.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they were made. We do not undertake any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

For a further discussion of such risks, uncertainties and assumptions, see "Risk Factors." You are urged to consider these factors in evaluating the forward-looking statements.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

We are providing the following information to assist you in analyzing the financial aspects of the exchange offer. We urge you to read all the information contained in the following table together with the historical financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in the annual and other reports filed by Cincinnati Bell and BCI with the SEC and incorporated by reference into this prospectus and solicitation statement. See "Where You Can Find More Information."

Cincinnati Bell Inc.

The selected historical consolidated financial data as of December 31, 1998, 1999, 2000, 2001 and 2002 and for each of the years ended December 31, 1998, 1999, 2000, 2001 and 2002 have been derived from our audited consolidated financial statements and the related notes. The selected historical consolidated financial data as of March 31, 2002 and 2003 and for each of the three-month periods ended March 31, 2002 and 2003, have been derived from our unaudited condensed consolidated financial statements and the related notes for such period, which in the opinion of our management include all adjustments necessary to present fairly the financial results for such periods. Interim results are not necessarily indicative of the results that may be expected for any other interim period or for a full year.

	Year Ended December 31,					Three Months Ended March 31,	
	1998	1999	2000	2001	2002	2002	2003
	(dollars in millions)						
Operating Data							
Revenue	$ 791.6	$ 1,030.1	$ 1,973.7	$ 2,271.6	$ 2,155.9	$ 542.8	$ 480.7
Operating expenses excluding restructuring and other charges (credits)	655.6	921.0	1,978.1	2,247.3	2,011.4	517.4	381.2
Restructuring, impairment and other charges (credits)(a)	(1.1)	10.9	(0.8)	245.4	2,238.0	16.2	0.3
Operating income (loss)	137.1	98.2	(3.6)	(221.1)	(2,093.5)	9.2	99.2
Interest expense and other financing costs(b)	24.1	61.6	163.6	168.1	164.2	38.3	45.3
Loss (gain) on investments(c)			356.3	(11.8)	10.7		
Income (loss) from continuing operations before income taxes, extraordinary items and cumulative effect of change in accounting principle	83.3	25.4	(584.9)	(412.3)	(2,325.5)	(42.4)	39.9
Net income (loss)	$ 149.9	$ 31.4	$ (377.1)	$ (286.2)	$ (4,222.3)	$ (1,824.4)	$ 123.8
Earnings (loss) per common share from continuing operations(d):							
Basic	$ 0.41	$ 0.06	$ (1.95)	$ (1.50)	$ (11.18)	$ (8.38)	$ $0.55
Diluted	$ 0.40	$ 0.05	$ (1.95)	$ (1.50)	$ (11.18)	$ (8.38)	$ 0.55
Dividends declared per common share	$ 0.40	$ 0.20	$	$	$	$	$
Weighted average common shares outstanding (millions)							
Basic	136.0	144.3	211.7	217.4	218.4	218.2	218.9
Diluted	138.2	150.7	211.7	217.4	218.4	218.2	219.9

	Year Ended December 31,					Three Months Ended March 31,	
Financial Position							
Property, plant and equipment, net	$ 697.8	$ 2,510.9	$ 2,978.6	$ 3,059.3	$ 867.9	$ 2,993.8	$ 933.5
Total assets(e)	1,041.8	6,505.4	6,477.6	6,312.0	1,467.6	4,084.1	1,594.2
Long-term debt(b)	366.8	2,136.0	2,507.0	2,702.0	2,354.7	2,537.9	2,184.1
Total debt(b)	553.0	2,145.2	2,521.0	2,852.0	2,558.4	2,574.1	3,526.9
Total long-term obligations(g)	464.6	3,791.8	3,716.0	3,693.4	3,249.3	3,497.7	3,121.7
Minority Interest(f)		434.0	433.8	435.7	443.9	437.6	445.7
Shareowners' equity (deficit)(e)	142.1	2,132.8	2,021.5	1,678.4	(2,548.3)	(142.4)	(2,378.4)
Other Data							
Cash flow provided by (used in) operating activities	$ 205.9	$ 314.3	$ 328.4	$ 259.5	$ 192.6	$ (17.4)	$ 32.7
Cash flow provided by (used in) investing activities	(309.0)	(641.0)	(851.9)	(534.6)	192.4	315.6	(18.2)
Cash flow provided by (used in) financing activities	99.4	397.2	480.6	267.2	(370.1)	(303.3)	(23.0)
Capital expenditures	143.4	381.0	843.7	648.5	175.9	52.7	22.0

(a) See Notes 1, 2 and 3 of Notes to Consolidated Financial Statements, included in our Annual Report on Form 10-K for the year ended December 31, 2002.

(b) See Note 5 of Notes to Consolidated Financial Statements, included in our Annual Report on Form 10-K for the year ended December 31, 2002.

(c) See Note 4 of Notes to Consolidated Financial Statements, included in our Annual Report on Form 10-K for the year ended December 31, 2002.

(d) See Note 10 of Notes to Consolidated Financial Statements, included in our Annual Report on Form 10-K for the year ended December 31, 2002.

(e) See Notes 1 and 2 of Notes to Consolidated Financial Statements, included in our Annual Report on Form 10-K for the year ended December 31, 2002.

(f) See Note 8 of Notes to Consolidated Financial Statements, included in our Annual Report on Form 10-K for the year ended December 31, 2002.

(g) Total long-term obligations comprise total long-term liabilities and the BCI redeemable preferred stock, which is classified as minority interest in the Consolidated Financial Statements, included in our Annual Report on Form 10-K for the year ended December 31, 2002.

BRCOM Inc.

The selected historical financial data as of December 31, 1998 and November 9, 1999 and for the year ended December 31, 1998 and the period from January 1 to November 9, 1999 have been derived from BCI's predecessor's, IXC Communications, Inc., audited financial statements and the related notes. The selected historical financial data as of December 31, 1999, 2000, 2001 and 2002 and for each of the period from November 10 to December 31, 1999 and the years ended December 31, 2000, 2001 and 2002 have been derived from BCI's audited financial statements and the related notes. The selected historical consolidated financial data as of March 31, 2002 and 2003 and for each of the three-month periods ended March 31, 2002 and 2003, have been derived from BCI's unaudited condensed consolidated financial statements and the related notes for such period, which in the opinion of BCI's management include all adjustments necessary to present fairly the financial results for such periods. Interim results are not necessarily indicative of the results that may be expected for any other interim period or for a full year.

	Predecessor		BCI					
				Year Ended December 31,			Three Months Ended March 31,	
	Year Ended December 31, 1998	Period from Jan. 1 to Nov. 9, 1999	Period from Nov. 10 to Dec. 31, 1999	2000	2001	2002	2002	2003
	(dollars in millions)							
Operating Data(a):								
Revenue	$ 668.6	$ 568.2	$ 99.0	$ 1,004.6	$ 1,197.6	$ 1,068.1	$ 269.0	$ 210.6
Operating income (loss)	(30.8)	(214.1)	(46.5)	(225.7)	(502.1)	(2,437.6)	(74.0)	9.8
Loss (gain) on investments		23.8		394.5	(11.6)	(0.2)		
Loss before extraordinary item	(95.5)	(281.0)	(38.9)	(463.3)	(382.2)	(2,533.7)	(88.6)	(10.1)
Extraordinary loss	(67.0)		(6.6)					
Cumulative effect of change in accounting principle(b)						2,008.7	2,008.7	
Net income (loss)	$ (162.5)	$ (281.0)	$ (45.5)	$ (464.6)	$ (388.4)	$ (4,542.4)	$ (2,066.1)	$ 11.4
Financial Position(a):								
Property, plant and equipment, net (c)	$ 983.7		$ 1,726.4	$ 2,103.9	$ 2,182.0	$ 54.7	$ 2,134.7	$ 1.8
Total assets	1,748.2		5,147.2	4,994.2	4,977.8	239.1	2,906.6	226.7
Total debt and capital lease obligations(d)	693.0		1,046.2	1,057.1	1,563.5	1,737.9	1,668.1	1,738.0
Redeemable preferred stocks(e)	447.9		418.2	421.0	417.8	414.4	417.1	413.7
Total long-term obligations(g)	1,624.1		2,343.2	2,164.0	2,450.1	978.6	2,529.6	1,000.2
Shareowner's equity (deficit)(f)	(72.5)		2,463.6	2,394.0	2,024.6	(2,561.8)	(51.2)	(2,562.0)
Other Financial data(a)								
Cash flow provided by (used in) operating activities	$ 202.3	$ 71.5	$ 87.8	$ (32.7)	$ (111.4)	$ (94.9)	$ (68.9)	$ (32.2)
Cash flow used in investing activities	(522.9)	(558.1)	(160.8)	(590.0)	(441.6)	(64.9)	(26.8)	(0.5)
Cash flow provided by financing activities	431.0	285.5	65.5	596.9	534.2	151.1	93.9	36.9
Capital expenditures	476.4	479.1	165.0	599.9	472.0	64.9	26.8	0.5

(a) On November 9, 1999 (the "Merger Date"), IXC Communications, Inc. completed a merger with a wholly owned subsidiary of Cincinnati Bell to form BCI (the "IXC Merger"). This merger was accounted for as a purchase business combination and, accordingly, purchase accounting adjustments, including goodwill, have been pushed down and are reflected in BCI's financial statements subsequent to the Merger Date. The financial statements for periods before the Merger Date were prepared using BCI's historical basis of accounting and are designated as "Predecessor." The financial statements for periods

after the merger are designated as "BCI." The comparability of operating results for the Predecessor and BCI periods are affected by the purchase accounting adjustments. The 2002, 2001 and 2000 results presented included the results of Cincinnati Bell Technology Solutions Inc. as Cincinnati Bell contributed the capital stock of the information technology consulting business to BCI during 2000. The 2002, 2001 and 2000 results also reflect an agreement with the former Cincinnati Bell Long Distance to service its customers outside of the Cincinnati, Ohio area. All revenue and expenses associated with the former Cincinnati Bell Long Distance's customers outside the Cincinnati area were assigned to BCI.

(b) See Notes 1 and 2 of the Notes to Consolidated Financial Statements, included in BCI's Annual Report on Form 10-K for the year ended December 31, 2002.

(c) See Note 1 of the Notes to Consolidated Financial Statements, included in BCI's Annual Report on Form 10-K for the year ended December 31, 2002.

(d) See Note 5 of the Notes to Consolidated Financial Statements, included in BCI's Annual Report on Form 10-K for the year ended December 31, 2002.

(e) See Note 7 of the Notes to Consolidated Financial Statements, included in BCI's Annual Report on Form 10-K for the year ended December 31, 2002.

(f) See Note 9 of the Notes to Consolidated Financial Statements, included in BCI's Annual Report on Form 10-K for the year ended December 31, 2002.

(g) Total long-term obligations comprise total long-term liabilities and redeemable preferred stock, included in BCI's Annual Report on Form 10-K for the year ended December 31, 2002.

CAPITALIZATION

We are providing the following information to assist you in analyzing the financial aspects of the exchange offer. We urge you to read all the information contained in the following table together with the historical financial statements and related notes contained in the annual and other reports filed by Cincinnati Bell and BCI with the SEC and incorporated by reference into this prospectus and solicitation statement. See "Where You Can Find More Information."

Cincinnati Bell Inc.

The following table sets forth our capitalization as of March 31, 2003 (1) on an actual basis, (2) as adjusted to give effect to the sale of our broadband business announced on February 22, 2003, the first stage closing of which was consummated on June 13, 2003, (3) as further adjusted to give effect to the BCI preferred exchange offer (assuming all shares of BCI Preferred Stock are tendered and accepted for exchange) and (4) as further adjusted to give effect to the exchange offer being made by this prospectus and solicitation statement (assuming the entire outstanding aggregate principal amount of BCI 9% Notes are tendered and accepted for exchange). For a more detailed description of our capitalization, see "Description of Cincinnati Bell Capital Stock" and "Description of Cincinnati Bell and BCI Indebtedness." The following table is not adjusted to give effect to the retirement on June 16, 2003 of $0.8 million aggregate principal amount outstanding of BCI's $12^1/_2$% Senior Notes due 2005.

	As of March 31, 2003
	(dollars in millions)

	As of March 31, 2003			
	Actual	As adjusted for the broadband sale	As adjusted for the broadband sale and the BCI preferred exchange offer	As adjusted for the broadband sale, the BCI preferred exchange offer and the exchange offer
Cincinnati Bell Inc.				
Cash and cash equivalents:	$ 36.4	$ 127.9	$ 127.9	$ 127.9
Restricted cash	7.0	7.0	7.0	7.0
Total debt (including current portion):				
Revolving credit facility	361.7	361.7	367.2	367.7
Term loan facilities				
Term loan A	516.2	516.2	516.2	516.2
Term loan B	307.0	307.0	307.0	307.0
Term loan C	137.1	137.1	137.1	137.1
Total credit facilities	1,322.0	1,322.0	1,327.5	1,328.0
7 1/4% Senior secured notes	50.0	50.0	50.0	50.0
Capital lease obligations and vendor financing	38.6	36.5	36.5	36.5
Cincinnati Bell Telephone notes	270.0	270.0	270.0	270.0
16% notes	350.2	350.2	350.2	350.2
12 1/2% Senior notes (BCI)	0.8	0.8	0.8	0.8
9% Senior subordinated notes (BCI)	46.0	46.0	46.0	
Convertible subordinated notes	511.3	511.3	511.3	511.3
Unamortized discount	(48.5)	(48.5)	(48.5)	(48.5)
Total debt	2,540.4	2,538.3	2,543.8	2,498.3
12.5% Preferred stock (BCI)	413.7	413.7		
Shareowners' deficit:				
6 3/4% Cumulative preferred stock	129.4	129.4	129.4	129.4
Common shareowners' deficit	(2,507.8)	(2,129.8)	(1,678.4)	(1,631.0)
Total shareowners' deficit	(2,378.4)	(2,000.4)	(1,549.0)	(1,501.6)
Total capitalization	$ 575.7	$ 951.6	$ 994.8	$ 996.7

BRCOM Inc.

The following table sets forth BCI's capitalization as of March 31, 2003 (1) on an actual basis, (2) as adjusted to give effect to the broadband sale, (3) as further adjusted to give effect to the BCI preferred exchange offer (assuming all shares of BCI Preferred Stock are tendered and accepted for exchange) and (4) as further adjusted to give effect to the exchange offer being made by this prospectus and solicitation statement (assuming the entire outstanding aggregate principal amount of BCI 9% Notes are tendered and accepted for exchange). For a more detailed description of BCI's capitalization, see "Description of Cincinnati Bell Capital Stock" and "Description of Cincinnati Bell and BCI Indebtedness." The following table is not adjusted to give effect to the retirement on June 16, 2003 of $0.8 million aggregate principal amount outstanding of BCI's 12 1/2% Senior Notes due 2005.

	As of March 31, 2003			
	(dollars in millions)			
	Actual	As adjusted for the broadband sale	As adjusted for the broadband sale and the BCI preferred exchange offer	As adjusted for the broadband sale, the BCI preferred exchange offer and the exchange offer
BRCOM Inc.				
Cash and cash equivalents:	$ 7.1	$ 98.6	$ 98.6	$ 98.6
Total debt (including current portion):				
Total credit facilities	223.0	223.0	223.0	223.0
Intercompany payable to parent	1,501.0	1,501.0	1,573.2	1,629.7
Capital leases and vendor financing	4.1	2.0	2.0	2.0
12 1/2% Senior notes (BCI)	0.8	0.8	0.8	0.8
9% Senior subordinated notes (BCI)	46.0	46.0	46.0	
Total debt	1,774.9	1,772.8	1,845.0	1,855.5
12.5% Preferred stock	413.7	413.7		
Shareowner's deficit:				
Common shareowner's deficit	(2,562.0)	(2,184.0)	(1,799.3)	(1,807.9)
Total shareowner's deficit	(2,562.0)	(2,184.0)	(1,799.3)	(1,807.9)
Total capitalization	$ (373.4)	$ 2.5	$ 45.7	$ 47.6

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

We are providing the following information to assist you in analyzing the financial aspects of the exchange offer. We urge you to read all the information contained in this section together with the historical financial statements and related notes contained in the annual and other reports filed by Cincinnati Bell and BCI with the SEC and incorporated by reference into this prospectus and solicitation statement. See "Where You Can Find More Information."

Cincinnati Bell Inc.

The following unaudited pro forma condensed consolidated financial information reflects Cincinnati Bell's results of operations for the year ended December 31, 2002 and the three-month period ended March 31, 2003 and Cincinnati Bell's balance sheet as of March 31, 2003, after giving effect to all of the pro forma transactions described below. The unaudited pro forma statements of operations give effect to the following transactions as if they had occurred on January 1, 2002, and the unaudited pro forma balance sheet as of March 31, 2003 gives effect to the following transactions as if they had occurred as of that date, except for the March 26, 2003 financing transactions, which are included in the actual results as of March 31, 2003. The pro forma transactions include the following:

(a) The March 26, 2003 financing transactions, which included the following three items:

(1) Our receipt of $350 million of gross cash proceeds from the issuance of 16% Notes. The indenture governing the 16% Notes contains covenants, including restrictions on the Company's ability to fund the operations of BCI and its subsidiaries. Proceeds from the Goldman mezzanine financing, net of fees of $40 million related to the Goldman mezzanine financing and the amendment to our credit facilities, were used to pay down borrowings under the Company's credit facilities. In addition, purchasers of the 16% Notes received 17.5 million warrants, each to purchase one share of Cincinnati Bell Common Stock at $3.00 per share, which were valued at $47.5 million upon issuance.

(2) The amendment of our credit facilities which, among other things, extended the maturity on our revolving credit facility, accelerated the maturity of a portion of our term loan A facility, increased the interest rates, revised the financial covenants and allowed for the broadband sale.

(3) The execution of a supplemental indenture in respect of the indenture governing the Convertible Subordinated Notes. The supplemental indenture provides that a bankruptcy of BCI and its subsidiaries would not constitute an event of default, amends the definition of change of control by increasing the ownership threshold deemed to be a change of control from 20% of outstanding shares to 45% of outstanding shares and includes covenants restricting our ability to incur debt and consummate certain asset dispositions. The supplemental indenture also adjusted the rate of accretion to 9.00% per annum from March 26, 2003 through July 21, 2004 and to 2.25% per annum from July 21, 2004 to July 21, 2009 (during which period the Convertible Subordinated Notes bear cash interest at a rate of 6.75% per annum payable semi-annually on January 21 and July 21 of each year, commencing on January 21, 2005).

(b) On June 13, 2003, we consummated the first (and most significant) stage closing of the sale of our broadband business, in which we transferred substantially all of our broadband assets except for those for which state regulatory approval for transfer was still pending. At the first stage closing, we had received regulatory approval in states where approximately 75% of our 2002 broadband revenues were generated. In connection with the first stage closing, the buyers paid the cash purchase price of $91.5 million, of which $29.3 million was placed into escrow to support certain potential purchase price adjustments and the portion of the purchase price payable upon

the consummation of the second and third stage closings, and issued to us a $17.2 million promissory note in connection with a purchase price working capital adjustment. No adjustments have been made in the unaudited pro forma condensed consolidated financial information for the purchase price adjustments or post-closing obligations as such amounts are not determinable. Furthermore, the application of the proceeds from the sale has not been reflected. In addition, the buyers have agreed to assume approximately $418.5 million in current and long-term liabilities and approximately $291.2 million of operating contractual commitments. In addition, we have indemnified the buyers against certain potential claims. The fair value of such indemnifications has not been reflected in the unaudited pro forma condensed consolidated financial information, as the amount is not material. After the completion of the broadband sale, the only remaining BCI subsidiaries with operating assets will be Cincinnati Bell Technology Solutions Inc., an information technology consulting subsidiary, and BTI Inc., a subsidiary whose assets service Cincinnati Bell's long distance business. BCSI Inc., another subsidiary of BCI, will retain a 3% interest in the new company. This investment is not reflected in the unaudited pro forma condensed consolidated financial information because its value is not expected to be material. See "Background of the Exchange Offer and Consent Solicitation The Restructuring Plan and Recent Developments Sale of our broadband business."

(c) The BCI preferred exchange offer and the exchange offer, in connection with which we expect to issue approximately 25.2 million new shares of Cincinnati Bell Common Stock, an increase of 12% in the number of shares outstanding, assuming all shares of BCI Preferred Stock and the entire outstanding aggregate principal amount of BCI 9% Notes are tendered and accepted for exchange in the BCI preferred exchange offer and the exchange offer, respectively.

The unaudited pro forma condensed consolidated financial information does not reflect the retirement on June 16, 2003 of BCI's remaining $0.8 million aggregate principal amount outstanding of $12^1/_2$% Senior Notes due 2005.

The unaudited pro forma condensed consolidated financial information presented includes the above items as the financing transactions are considered to be material to existing and potential investors; and the consummation of the broadband sale is probable based on the definitive agreements signed on February 22, 2003 and amended on June 6, 2003, and the consummation of the first stage closing, which occurred on June 13, 2003. In addition, the BCI preferred exchange offer and the exchange offer are probable based on definitive agreements reached with holders of the instruments subject to exchange.

The adjustments, which are based upon available information and upon assumptions that we believe to be reasonable, are described in the accompanying notes. The unaudited pro forma condensed consolidated financial information is presented for illustrative purposes only and is not indicative of the operating results or financial position that would have occurred if the transactions described above had been completed on the dates indicated, nor is it indicative of future operating results or financial position if the transactions described above are completed.

The unaudited pro forma condensed consolidated financial information should be read in conjunction with the historical consolidated financial statements and the related notes incorporated by reference herein.

Cincinnati Bell Inc.
Unaudited Pro Forma Condensed Consolidated Statement of Operations
(dollars in millions)

Quarter Ended March 31, 2003

	Actual	Adjustments for financing transactions	Adjustments for broadband sale	Adjustments for BCI preferred exchange offer	Adjustments for exchange offer	Pro forma as adjusted
Revenue	$ 480.7	$	$ (182.6)(d) 3.1(e)	$	$	$ 301.2
Costs and Expenses						
Cost of services and products (excluding depreciation included below)	219.4		(106.6)(f) 10.6 (g)			123.4
Selling, general and administrative	120.3		(64.9)(h) 1.8 (i)			57.2
Depreciation	41.4		(1.9)(j)			39.5
Amortization	0.1					0.1
Asset impairments and other	0.3					0.3
Total costs and expenses	381.5		(161.0)			220.5
Operating income (loss)	99.2		(18.5)			80.7
Minority interest expense	14.1		1.1 (k)	(11.6)(l)		3.6
Interest expense and other financing costs	45.3	2.9 (a) 16.4 (b) 2.6 (c)			(1.0)(m)	66.2
Other expense (income), net	(0.1)					(0.1)
Income (loss) from continuing operations before income taxes, discontinued operations and cumulative effect of change in accounting principle	39.9	(21.9)	(19.6)	11.6	1.0	11.0
Income tax expense (n)	2.0					2.0
Income (loss) from continuing operations before discontinued operations and cumulative effect of change in accounting principle	37.9	(21.9)	(19.6)	11.6	1.0	9.0
Preferred stock dividends	2.6					2.6
	$ 35.3	$ (21.9)	$ (19.6)	$ 11.6	$ 1.0	$ 6.4

	Quarter Ended March 31, 2003					
Numerator for EPS and EPS assuming dilution-loss applicable to common shareowners						
Basic Earnings (Loss) Per Common Share						
Income (loss) from continuing operations	$ 0.16	$ (0.10)	$ (0.09)	$ 0.05	$ 0.00	$ (0.03)
Diluted Earnings (Loss) Per Common Share						
Income (loss) from continuing operations	$ 0.16	$ (0.10)	$ (0.09)	$ 0.05	$ 0.00	$ (0.03)
Weighted Average Common Shares Outstanding (millions)						
Basic	218.9			14.1 (p)	11.1 (q)	244.1
Diluted	219.9	4.3 (o)		14.1 (p)	11.1 (q)	249.4

Cincinnati Bell Inc.
Unaudited Pro Forma Condensed Consolidated Statement of Operations
(dollars in millions)

	Year Ended December 31, 2002					
	Actual	**Adjustments for the financing transactions**	**Adjustments for broadband sale**	**Adjustments for BCI preferred exchange offer**	**Adjustments for exchange offer**	**Pro forma as adjusted**
Revenue	$ 2,155.9	$	$ (904.1)(u) 11.7 (v)	$	$	$ 1,263.5
Costs and Expenses						
Cost of services and products (excluding depreciation included below)	1,027.7		(519.6)(w) 43.5 (x)			551.6
Selling, general and administrative	487.4		(277.2)(y) 7.1 (z)			217.3
Depreciation	471.0		(284.7)(aa)			186.3
Amortization	25.3		(24.8)(bb)			0.5
Restructuring	37.1		(32.5)(cc)			4.6
Asset impairments and other	2,200.9		(2,180.6)(dd)			20.3
Total costs and expenses	4,249.4		(3,268.8)			980.6
Operating income (loss)	(2,093.5)		2,376.4			282.9
Minority interest expense	57.6		0.5 (ee)	(45.9)(hh)		12.2
Interest expense and other financing costs	164.2	11.8 (r)			(4.1)(ii)	257.5

Year Ended December 31, 2002

		67.7 (s)				
		17.9 (t)				
Loss on investments	10.7		0.2 (ff)			10.9
Other expense (income), net	(0.5)		1.1 (gg)			0.6
Loss from continuing operations before income taxes, discontinued operations and cumulative effect of change in accounting principle	(2,325.5)	(97.4)	2,374.6	45.9	4.1	1.7
Income tax expense (jj)	105.7					105.7
Loss from continuing operations before discontinued operations and cumulative effect of change in accounting principle	(2,431.2)	(97.4)	2,374.6	45.9	4.1	(104.0)
Preferred stock dividends	10.4					10.4
Numerator for EPS and EPS assuming dilution-loss applicable to common shareowners	$ (2,441.6)	$ (97.4)	$ 2,374.6	$ 45.9	$ 4.1	$ (114.4)
Basic Earnings (Loss) Per Common Share						
Loss from continuing operations	$ (11.18)	$ (0.45)	$ 10.87	$ 0.20	$ 0.02	$ (0.47)
Diluted Earnings (Loss) Per Common Share						
Loss from continuing operations	$ (11.18)	$ (0.45)	$ 10.87	$ 0.20	$ 0.02	$ (0.47)
Weighted Average Common Shares Outstanding (millions)						
Basic	218.4			14.1 (ll)	11.1 (mm)	243.6
Diluted	218.4	(kk)		14.1 (ll)	11.1 (mm)	243.6

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Cincinnati Bell Inc.
Unaudited Pro Forma Condensed Consolidated Balance Sheet
(dollars in millions)

	As of March 31, 2003				
	Actual	Adjustments for broadband sale	Adjustments for BCI preferred exchange offer	Adjustments for exchange offer	Pro forma as adjusted
Assets					
Current assets					
Cash and cash equivalents	$ 36.4	$ 91.5 (nn)	$	$	$ 127.9

	As of March 31, 2003				
Restricted cash	7.0				7.0
Receivables, less allowances	182.8				182.8
Materials and supplies	29.2				29.2
Deferred income tax benefits	11.3				11.3
Prepaid expenses and other current assets	24.6	17.2 (oo)			41.8
Assets held for sale	94.4	(94.4)(pp)			
Total current assets	385.7	14.3			400.0
Property, plant and equipment, net	933.5				933.5
Goodwill, net of accumulated amortization	40.9				40.9
Other intangibles, net	66.8				66.8
Deferred financing costs	57.6				57.6
Other noncurrent assets	54.9				54.9
Assets held for sale	54.8	(54.8)(qq)			
Total assets	$ 1,594.2	$ (40.5)	$	$	$ 1,553.7
Liabilities and Shareowners' Deficit					
Current liabilities					
Short-term debt	$ 356.3	$	$	$	$ 356.3
Accounts payable	53.6				53.6
Current portion of unearned revenue and customer deposits	29.8				29.8
Accrued taxes	78.5				78.5
Accrued restructuring	35.3				35.3
Other current liabilities	131.7		(43.2)(uu)	(1.9)(zz)	86.6
Liabilities to be assumed in sale	133.7	(133.7)(rr)			
Total current liabilities	818.9	(133.7)	(43.2)	(1.9)	640.1
Long-term debt, less current portion	2,184.1		5.5 (vv)	(45.5)(aaa)	2,144.1
Unearned revenue, less current portion	2.6				2.6
Deferred income tax liabilities	87.0				87.0
Other noncurrent liabilities	149.5				149.5
Liabilities to be assumed in sale	284.8	(284.8)(ss)			
Total liabilities	3,526.9	(418.5)	(37.7)	(47.4)	3,023.3
Minority interest	445.7		(413.7)(ww)		32.0

	As of March 31, 2003				
Commitments and contingencies					
Shareowners' deficit					
6 3/4% Cumulative Convertible Preferred Stock	129.4				129.4
Common shares, $.01 par value	2.3		0.2 (xx)	0.1 (bbb)	2.6
Additional paid-in capital	2,409.3		451.2 (yy)	56.4 (ccc)	2,916.9
Accumulated deficit	(4,761.8)	378.0 (tt)		(9.1)(ddd)	(4,392.9)
Accumulated other comprehensive loss	(12.1)				(12.1)
Common shares in treasury, at cost	(145.5)				(145.5)

Total liabilities	40,389	5,218
Stockholders' equity		
Preferred stock - $.001 par value, 2,000,000 shares authorized, 1,070,283 and -0- issued and outstanding, respectively	1	--
Common stock - $.001 par value, 100,000,000 shares authorized 26,226,818 and 13,966,817 shares issued and outstanding, respectively	25	14
Additional paid in capital	130,399	47,276
Accumulated deficit	(58,662)	(38,905)
Total stockholders' equity	71,763	8,385
Total liabilities and stockholders' equity	$ 112,152	$ 13,603

The accompanying notes are an integral part of these financial statements.

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I-TRAX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(in thousands, except share data)

	2004	2003
Net revenue	$ 76,402	$ 4,189
Costs and expenses		
Operating expenses	58,151	2,373
General and administrative expenses	16,585	5,429
Depreciation and amortization	3,866	1,702
Total costs and expenses	78,602	9,504
Operating loss	(2,200)	(5,315)
Other expenses		
Interest expense	1,002	2,405
Amortization of financing costs	132	337
Other expenses	350	2
Total other expenses	1,484	2,744
Loss before provision for income taxes	(3,684)	(8,059)
Provision for income taxes	253	--
Net loss	(3,937)	(8,059)
Less preferred stock dividend	(1,878)	--
Less deemed dividends applicable to preferred stockholders	(15,820)	--
Net loss applicable to common stockholders	$ (21,635)	$ (8,059)
Loss per common share, basic and diluted	$ (0.96)	$ (0.74)
Weighted average number of shares outstanding, basic and diluted	22,466,262	10,904,553

The accompanying notes are an integral part of these financial statements.

I-TRAX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(in thousands, except share data)

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Balances at January 1, 2003	--	$ --	9,372,727	$ 9	$ 39,236	$ (30,846)	$ 8,399
Issuance of compensatory stock options	--	--	--	--	28	--	28
Mark to market of warrants granted for investor relations services and stock options granted to a former employee	--	--	--	--	(4)	--	(4)
Fair market value of detachable warrants and additional beneficial conversion value in connection with re-pricing of convertible debenture	--	--	--	--	1,008	--	1,008
Issuance of common stock for services	--	--	332,760	--	522	--	522
Contribution of common stock given by shareholders to vendor for services rendered to the Company	--	--	--	--	246	--	246
Proceeds from sale of common stock and exercise of warrants, net of costs and common stock warrants liability	--	--	2,675,838	3	2,549	--	2,552
Issuance of warrants for services	--	--	--	--	649	--	649
Fair value of detachable warrants issued in connection with convertible note	--	--	--	--	268	--	268
Issuance of common stock for conversion of related party debt and assigned debt	--	--	668,152	1	1,169	--	1,170
Issuance of common stock for conversion of deferred salaries	--	--	69,711	--	122	--	122

Issuance of common stock upon conversion of debenture	--	--	847,629	1	1,483	--	1,484
Net loss for the year ended December 31, 2003	--	--	--	--	--	(8,059)	(8,059)
Balances at December 31, 2003	--	$ --	13,966,817	$ 14	$ 47,276	$ (38,905)	$ 8,385

The accompanying notes are an integral part of these financial statements.

I-TRAX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(in thousands, except share data)

	Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
Balances at January 1, 2004	--	$ --	13,966,817	$ 14	$ 47,276	$ (38,905)	$ 8,385
Reclassification of common stock warrants to paid in capital	--	--	--	--	3,110	--	3,110
Issuance of common stock in connection with conversion of promissory note and other settlement, net of costs	--	--	69,165	--	71	--	71
Issuance of common stock for conversion of debenture and accrued interest	--	--	427,106	--	747	--	747
Issuance of common stock for exercise of warrants	--	--	333,583	--	52	--	52
Sale of preferred stock, net of costs	1,000,000	1	--	--	23,509	--	23,510
Issuance of preferred stock for acquisition of CHD Meridian	400,000	--	--	--	10,000	--	10,000
Redemption of preferred stock	(200,000)	--	--	--	(5,000)	--	(5,000)
Issuance of common stock for acquisition of CHD Meridian	--	--	10,000,000	10	36,290	--	36,300
Conversion of preferred stock and accrued dividends for preferred stock	(129,717)	--	1,430,147	1	(1,686)	--	(1,685)
Beneficial conversion feature in connection with issuance of preferred stock	--	--	--	--	15,820	(15,820)	--
Issuance of common stock warrants in connection with amendment of senior credit facility	--	--	--	--	210	--	210
	--	--	--	--	--	(3,937)	(3,937)

Net loss for the year ended December 31, 2004												
Balances at December 31, 2004	1,070,283	$	1	26,226,818	$	25	$	130,399	$	(58,662)	$	71,763

The accompanying notes are an integral part of these financial statements.

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I-TRAX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(in thousands, except share data)

	2004	2003
Operating activities:		
Net loss	$ (3,937)	$ (8,059)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,866	1,702
Accretion of discount on notes payable charged to interest expense and beneficial conversion value of debenture	573	2,027
Increase in fair value of common stock warrants	350	301
Amortization of debt issuance costs	132	337
Write-off of deposit on cancelled acquisition	--	200
Issuance of securities for services	--	1,418
Impairment charge related to intangible assets	--	458
Issuance of warrants related to senior credit facility	210	--
Other non-cash items	(46)	73
Changes in operating assets and liabilities, net of effects of acquisition:		
(Increase)/decrease in accounts receivable	(600)	8
Increase in deferred tax asset	(919)	--
Increase in other current assets	(793)	(90)
Decrease in accounts payable	(939)	(334)
Decrease in accrued expenses	(609)	(410)
Increase/(decrease) in other current liabilities	761	(1,140)
Increase in deferred tax liability	1,089	--
Net cash used in operating activities	(862)	(3,509)
Investing activities:		
Purchases of property, plant and equipment	(3,070)	(1,279)
Acquisition of intangible assets	(185)	--
Deposit on acquisition of perpetual license	--	(160)
Increase in transaction costs	--	(85)
Proceeds from release of security deposit	--	7
Proceeds from sale of equipment	4	--
Acquisition of CHD Meridian, net of acquired cash	(18,440)	--
Net cash used in investing activities	(21,691)	(1,517)
Financing activities:		
Principal payments on capital leases	(38)	(71)
(Repayment) to/proceeds from related parties	(280)	500
(Repayment) of/proceeds from note payable	(618)	100
Proceeds from exercise of warrants	52	--
Proceeds from/(repayments) to bank credit facility, net of issuance costs	8,158	(300)
Proceeds from sale of preferred stock, net of issuance costs	23,510	--
Proceeds from sale of common stock and exercise of warrants	--	5,011
Redemption of preferred stock	(5,000)	--

Net cash provided by financing activities		25,784		5,240
Net increase in cash and cash equivalents		3,231		214
Cash and cash equivalents at beginning of year		574		360
Cash and cash equivalents at end of year	$	3,805	$	574

(Continues on following page.)

The accompanying notes are an integral part of these financial statements.

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I-TRAX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(Continues from previous page.)

Supplemental disclosure of cash flow information:				
Cash paid during the year for:				
Interest	$	543	$	84
Income taxes	$	285	$	--
Schedule of non-cash investing and financing activities:				
Reclassification of common stock warrants to paid in capital	$	3,110	$	--
Issuance of common stock in connection with conversion of promissory note and other settlement	$	71	$	1,169
Issuance of common stock in connection with conversion of debenture payable	$	747	$	1,483
Beneficial conversion feature in connection with issuance of preferred stock	$	15,820	$	--
Fair market value of detachable warrants and beneficial conversion value in connection with re-pricing	$	--	$	1,008
Proceeds from life insurance company in connection with the death of executive officer	$	--	$	500
Accrued interest expense on debenture payable and promissory notes	$	--	$	395
Repayments to related parties from pledged life insurance proceeds	$	--	$	500
Fair market value of warrants granted in connection with convertible note	$	--	$	268
		384		384
Issuance of common and preferred stock in connection with the acquisition of CHD Meridian	$	46,300	$	--
Accrued purchase price (see Note 3 - Business Combination)	$	7,294	$	--
Preferred stock dividend	$	1,878	$	--
Conversion of accrued dividends to common stock	$	195	$	--
Issuance of common stock in connection with the conversion of deferred salaries	$	--	$	122
Purchase of all capital stock of CHD Meridian and assumption of liabilities in the acquisition as follows:				
Fair value of non-cash tangible assets acquired	$	17,256	$	--
Goodwill		52,966		--
Customer list		22,235		--
Other intangibles		1,167		--
Cash paid, net of cash acquired (includes $85 of transaction costs incurred in a prior period)		(18,525)		--
Accrued purchase price (see Note 3 - Business Combination)		(7,294)		--
Common stock issued		(36,300)		--
Preferred stock issued		(10,000)		--
Liabilities assumed	$	21,505	$	--

The accompanying notes are an integral part of these financial statements.

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

Note 1—Nature of Business

I-trax, Inc. (the **"Company"**) was incorporated in the State of Delaware on September 15, 2000. On March 19, 2004, the Company consummated a merger with Meridian Occupational Healthcare Associates, Inc., a private company, which did business as CHD Meridian Healthcare (**"CHD Meridian"**). (See Note 3 - Business Combination.)

Following the merger, the Company offers two categories of services: (1) on-site health related services such as occupational health, primary care, corporate health, and pharmacy; and (2) personalized health management programs.

The Company conducts its on-site services through CHD Meridian Healthcare, LLC, a Delaware limited liability company (**"CHD Meridian LLC"**), and its subsidiary companies, and its personalized health management programs through I-trax Health Management Solutions, LLC, a Delaware limited liability company, and I-trax Health Management Solutions, Inc., a Delaware corporation.

Physician services at the Company's on-site locations are provided under management agreements with affiliated physician associations, which are organized professional corporations that hire licensed physicians who provide medical services (the **"Physician Groups"**). The Physician Groups provide all medical aspects of the Company's on-site services, including the development of professional standards, policies and procedures. The Company provides a wide array of business services to the Physician Groups, including administrative services, support personnel, facilities, marketing, and non-medical services.

Note 2—Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries, and the balance sheet of CHD Meridian LLC, its wholly owned subsidiaries (including Green Hills Insurance Company - see Note 16 - Professional Liability and Related Reserves), and the Physician Groups. All material intercompany accounts and transactions have been eliminated. The financial statements of the Physician Groups are consolidated with CHD Meridian LLC in accordance with the nominee shareholder model of Emerging Issues Task Force (**"EITF"**) Issue No. 97-2, "Application of FASB Statement No. 94 and APB Opinion No. 16 to Physician Practice Management Entities and Certain Other Entities with Contractual Management Arrangements." CHD Meridian LLC has unilateral control over the assets and operations of the Physician Groups.

Consolidation of the Physician Groups with CHD Meridian LLC, and consequently, the Company, is necessary to present fairly the financial position and results of operations of the Company. Control of the Physician Groups is perpetual and other than temporary because of the nominee shareholder model and the management agreements between the entities. The net tangible assets of the Physician Groups were not material at December 31, 2004.

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

Note 2—Summary of Significant Accounting Policies (continued)

The results of operations for the year ended December 31, 2004 do not include the operations of CHD Meridian from January 1, 2004 through March 31, 2004, even though the merger was consummated on March 19, 2004, because the Company and CHD Meridian agreed for accounting purposes to consolidate results of operations effective as of April 1, 2004.

Accounts Receivable

The Company utilizes the allowance method for determining the collectibility of its accounts receivable. The allowance method recognizes bad debt expense following a review of the individual accounts outstanding in light of the surrounding facts. Accounts receivable are reported at their outstanding unpaid principal balances reduced by an allowance for doubtful accounts based on historical bad debts, factors related to specific customers' ability to pay and economic trends. The Company writes off accounts receivable against the allowance when a balance is determined to be uncollectible. Accounts receivable on the consolidated balance sheet were stated net of allowance for doubtful accounts of approximately $598,000 and $40,000 at December 31, 2004 and 2003, respectively.

Property and Equipment

The Company records property and equipment at cost less accumulated depreciation and amortization, which is provided for on the straight line basis over the estimated useful lives of the assets which range between five and seven years. Improvements to leased premises are amortized using the straight-line method over the term of the lease or the useful life of the improvements, whichever is shorter. The Company expenses maintenance and repair costs as incurred. Property and equipment on the consolidated balance sheets includes accumulated depreciation of $6,273,000 and $808,000 as of December 31, 2004 and 2003, respectively. Depreciation and amortization of property and equipment for the years ended December 31, 2004 and 2003 amounted to $1,183,000 and $177,000, respectively.

In accordance with the provisions of AICPA Statement of Position No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," the Company capitalizes all application development costs and expenses all preliminary project and post-implementation costs in the consolidated statements of operations. For the years ended December 31, 2004 and 2003, the Company capitalized $1,750,000 and $1,238,000, respectively, of software developed for internal use. The Company placed certain software applications into service during 2004 and recorded amortization expense of $174,000 for the year ended December 31, 2004.

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

Note 2—Summary of Significant Accounting Policies (continued)

Property and equipment consists of the following at December 31:

	2004	2003
Furniture, fixtures and equipment	$ 9,552,000	$ 1,035,000
Buildings and improvements	108,000	--
Leasehold improvements	344,000	50,000
Software development costs	2,988,000	1,398,000
	12,992,000	2,483,000
Accumulated depreciation	(6,273,000)	(808,000)
	$ 6,719,000	$ 1,675,000

Goodwill and Intangibles

Goodwill is the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations accounted for as purchases. Under Financial Accounting Standards Board's (**"FASB"**) Statement of Financial Accounting Standards (**"SFAS"**) No. 142, "Goodwill and Other Intangible Assets," goodwill and other intangible assets with indefinite useful lives are not amortized but are tested for impairment annually and whenever events or circumstances occur indicating that these intangibles may be impaired. The Company performs its review of goodwill for impairment by comparing the carrying value of the applicable reporting unit to the fair value of the reporting unit. Intangible assets with finite lives are amortized over their estimated useful lives. The Company does not have any indefinite lived intangible assets.

Debt Issuance Costs

The Company recorded $417,000 of debt issuance costs in connection with the sale of a 6% senior debenture in February 2002. These costs consisted of a cash payment of $130,000 and common stock and warrants valued at $287,000, which were issued to a placement agent as a finder fee. The Company amortized these costs on a straight-line basis over the two-year life of the debenture. For the year ended December 31, 2003, amortization of debt issuance costs amounted to $215,000.

Additionally, during June 2003, in connection with the re-pricing of the warrants granted to such placement agent, the Company charged an additional $122,000 as amortization of debt issuance costs, bringing the total amortization expense for the year ended December 31, 2003 to $337,000. As of December 31, 2003, the remaining un-amortized portion of debt issuance cost amounted to $35,000, which was amortized in 2004.

With regard to its senior credit facility (see Note 5-Long Term Debt), the Company recorded $150,000 of debt issuance costs on March 19, 2004 when it obtained the senior credit facility and an additional $359,000 of debt issuance costs when it amended the senior credit facility later in the year. As the amendment reduced the total borrowing capacity of the senior credit facility, approximately $36,000 of original debt issuance costs were written off during the year. Amortization of debt issuance costs amounted to $132,000 for the year ended December 31, 2004.

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

Note 2—Summary of Significant Accounting Policies (continued)

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, “Accounting for Income Taxes,” which requires the use of the “liability method” of accounting for income taxes. Accordingly, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. Current income taxes are based on the respective periods’ taxable income for federal and state income tax reporting purposes.

Use of Estimates

In preparing the financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying value of cash, accounts receivable, accounts payable, accrued expenses, and other current liabilities are reasonable estimates of the fair values because of their short-term maturity. The fair value of notes payable approximates its principal amount of $8,308,000.

Revenue Recognition

Service Revenue - On-site Facilities. Approximately 95% of the Company’s revenue for the year ended December 31, 2004 was generated from contractual client obligations for occupational health, primary care, pharmacy and corporate health services performed on a fixed fee or a cost-plus basis. For fixed fee contracts, revenue is recorded on a straight-line basis as services are rendered. For cost-plus contracts, revenue is recorded as costs are incurred, with the management fee component recorded as earned based upon the method of calculation stipulated in the client contracts. Revenue is recorded at estimated net amounts to be received from clients for services rendered. Cash received prior to the performance of services is reflected as deferred revenue on the consolidated balance sheets.

Service Revenue - Personalized Health Management Programs. Service revenue is recognized as services are rendered. The Company contracts with clients to provide services based on an agreed upon monthly fee based on the number of employees, members or covered lives, a per-call charge the Company’s care communication center or a combination of both.

Upon execution of a contract for services, the Company assesses whether the fee associated with revenue transactions is fixed and determinable and whether collection is reasonably assured. The Company assesses whether the fee is fixed and determinable based on the payment terms associated with such contract. If a significant portion of a fee is due after normal payment terms, which are generally 30 to 90 days from invoice date, the Company accounts for such fee as services are provided.

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

Note 2—Summary of Significant Accounting Policies (continued)

***Technology Revenue*.** The Company derives revenue pursuant to different contract types, including perpetual software licenses, subscription licenses and custom development services, all of which may include support services revenue such as licensed software maintenance, training, consulting and web-hosting arrangements. Significant management judgments and estimates must be made and used in connection with the revenue recognized in any accounting period. Material differences may result in the amount and timing of our revenue for any period if management made different judgments or utilized different estimates.

The Company licenses software products for a specific term or on a perpetual basis. Most license contracts also require maintenance and support. The Company applies the provisions of Statement of Position 97-2, "Software Revenue Recognition," as amended by Statement of Position 98-9, "Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions," to all transactions involving the sale of software products and hardware transactions where the software is not incidental. For hardware transactions where software is not incidental, the Company does not unbundle its fee and, accordingly, does not apply separate accounting guidance to the hardware and software elements. For hardware transactions where software is not involved, the Company applies the provisions of Staff Accounting Bulletin 104, "Revenue Recognition." In addition, the Company applies the provisions of EITF Issue No. 00-03, "Application of AICPA Statement of Position 97-2 to Arrangements that Include the Right to Use Software Stored on Another Entity's Hardware," to hosted software service transactions.

The Company recognizes revenue from the sale of software licenses when persuasive evidence of an arrangement exists, the product has been delivered, the fee is fixed and determinable, and collection of the resulting receivable is reasonably assured. Delivery generally occurs when the product is delivered to a common carrier.

The Company assesses collection based on a number of factors, including past transaction history with the customer and the creditworthiness of the customer. The Company does not request collateral from customers. If the Company determines that collection of a fee is not reasonably assured, the Company defers the fee and recognize revenue at the time collection becomes reasonably assured, which is generally upon receipt of cash.

For technology arrangements with multiple obligations (for example, undelivered software maintenance and support), the Company allocates revenue to each component of the arrangement using the residual value method based on the fair value of the undelivered elements. Accordingly, the Company defers technology revenue in the amount equivalent to the fair value of the undelivered elements.

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 2—Summary of Significant Accounting Policies (continued)

Pharmaceuticals

Pharmaceutical purchases are recorded on a net basis accordance with EITF Issue No. 99-19, “Reporting Gross Revenue as a Principal vs. Net as an Agent.” Under pharmacy arrangements, the Company provides pharmaceuticals to clients as a component of the pharmacy agreement, which typically requires the Company to staff and operate a pharmacy for the sole benefit of the client’s employees and, in certain instances, dependents and retirees. The substance of these agreements in relation to pharmaceutical purchases demonstrates an agent-like arrangement and points to net reporting. The agreements stipulate that the Company is to be reimbursed upon purchasing pharmaceuticals, and not upon dispensing, thus limiting inventory risk. Furthermore, pharmaceuticals are priced on a pass-through basis, thus mitigating credit risk through structured payment terms. As such, the Company records pass-through pharmaceutical purchases on a net basis. Pass through pharmaceutical purchases for the year ended December 31, 2004 were approximately $72,235,000.

Stock-Based Compensation Plans

The Company accounts for its employee incentive stock option plans using the intrinsic value method in accordance with the recognition and measurement principles of Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees,” as permitted by SFAS No. 123, “Accounting for Stock-Based Compensation.” The adoption of the disclosure requirements of SFAS No. 148, “Accounting for Stock-Based Compensation - Transition and Disclosure,” did not have a material effect on the Company’s financial position or results of operations.

Had the compensation cost for the Company’s stock option plans been determined based on the fair value at the grant date (derived through use of the Black-Scholes methodology) for awards under the plans consistent with the method prescribed by SFAS No. 123, the Company’s pro forma net income and net income per share for fiscal 2004 and 2003 would have been as follows:

		2004		2003
Net loss as reported	$	(3,937,000)	$	(8,059,000)
Add back intrinsic value of the options issued to employee and charged to operations		--		28,000
Deduct stock based employee compensation expense determined under fair value based methods for all awards		(741,000)		(2,953,000)
Pro forma net loss	$	(4,678,000)	$	(10,984,000)
Basic and diluted net loss per share as reported	$	(0.96)	$	(0.74)
Pro forma basic and diluted net loss per share	$	(1.00)	$	(1.01)

I-TRAX, INC. AND SUBSIDIARIES
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Note 2—Summary of Significant Accounting Policies (continued)

The above pro forma disclosure may not be representative of the effects on reported net operations for future years as options vest over several years and the Company may continue to grant options to employees.

The fair market value of each option grant has been estimated at the date of grant using the Black-Scholes valuation model with the following weighted-average assumptions:

Dividend yield	0.00%
Expected volatility	112%
Risk-free interest rate	4%
Expected life	5 years

Comprehensive Income

The Company adopted SFAS No. 130, "Accounting for Comprehensive Income." This statement establishes standards for reporting and disclosing comprehensive income and its components (including revenues, expenses, gains and losses) in a full set of general-purpose financial statements. The items of other comprehensive income that are typically required to be disclosed are foreign currency items, minimum pension liability adjustments, and unrealized gains and losses on certain investments in debt and equity securities. The Company had no items of other comprehensive income for the years ended December 31, 2004 and 2003.

Net Loss Per Share

The Company presents both basic and diluted loss per share on the face of the income statement. As provided by SFAS 128, "Earnings per Share," basic loss per share is calculated as income available to common stockholders divided by the weighted average number of shares outstanding during the period. Diluted loss per share reflects the potential dilution that could occur from common shares issuable through stock options, warrants and convertible preferred stock. As of December 31, 2004 and 2003, 15,850,886 and 5,469,286 shares issuable upon exercise of options, warrants, and convertible securities, respectively, were excluded from the diluted loss per share computation because their effect would be anti-dilutive.

Reclassifications

For comparability, certain 2003 amounts have been reclassified and combined, where appropriate, to conform to the financial statement presentation used in 2004.

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 2—Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

In December 2004, the FASB issued a revision of SFAS No. 123, "Accounting for Stock-Based Compensation." This statement supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and its related implementation guidance. The revised statement requires entities to recognize the cost of employee services received in share-based payment transactions, thereby reflecting the economic consequences of those transactions in the financial statements. The cost must be recognized over the period during which an employee is required to provide service in exchange for the award, typically the vesting period. The statement applies to all awards granted after the required effective date and to awards modified, repurchased, or cancelled after that date.

This statement becomes effective for public entities that do not file as small business issuers as of first interim or annual reporting period that begins after June 15, 2005 and for public entities that file as small business issuers as of first interim or annual reporting period that begins after December 15, 2005. The Company does not intend to adopt this statement early. Upon adoption, the Company will use a modified prospective application which will affect new awards and awards modified, repurchased, or cancelled after the required effective date. Additionally, compensation cost for the portion of awards for which the requisite service has not been rendered that are outstanding as of the required effective date must be recognized as the requisite service is rendered on or after the required effective date. The adoption of the revised statement is expected to impact the Company's consolidated results of operations. The Company cannot estimate the current impact on these consolidated financial statements. See Note 2 - Summary of New Accounting Policies for 2004 and 2003 disclosure of pro forma results of operations under original FASB No. 123 guidance.

Note 3—Business Combination

On March 19, 2004, the Company merged with CHD Meridian, a privately held company and a major provider of outsourced, employer-sponsored healthcare services. CHD Meridian provides such services to large self-insured employers, including Fortune 1,000 companies.

Pursuant to the merger agreement, the Company, (1) issued 10,000,000 shares of common stock, (2) issued 400,000 shares of convertible preferred stock (with each share convertible into 10 shares of common stock) at $25.00 per share or $10,000,000 in the aggregate, and (3) paid approximately $25,508,000 in cash to the CHD Meridian stockholders. Immediately following the closing of the merger, the Company also redeemed from former CHD Meridian stockholders that participated in the merger, pro rata, an aggregate of 200,000 shares of convertible preferred stock at its original issue price of $25.00 per share or $5,000,000. The total value of the merger consideration was $80,578,000, made up of common stock valued at $36,300,000, preferred stock valued at $10,000,000, cash of $25,508,000, transaction expenses of $1,476,000, and the value attributable to accrued purchase price per the merger agreement of $7,294,000.

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

Note 3—Business Combination (continued)

Pursuant to the merger agreement, an aggregate of 3,859,200 shares of our common stock is in escrow for issuance to former CHD Meridian Healthcare stockholders subject to CHD Meridian achieving calendar 2004 milestones for earnings before interest, taxes, depreciation and amortization (**"EBITDA"**). If the EBITDA milestones are met, the shares will be delivered on the earlier of (1) two business days following the date on which the Company files its Annual Report on Form 10-KSB for the year ended December 31, 2004 with the Securities and Exchange Commission or (2) April 30, 2005. As of December 31, 2004, CHD Meridian achieved EBITDA in excess of $9,000,000 which will result in all 3,859,200 shares being released to former CHD Meridian stockholders. Consequently, the Company has recorded a liability of $7,294,000 for the value of these shares, which was included on the consolidated balance sheet as accrued purchase price. These shares were valued at $1.89 per share, the market price of the Company's common stock at December 31, 2004.

The Company funded the cash portion of the merger consideration by (1) selling 1,000,000 shares of Series A Convertible Preferred Stock at $25.00 per share for gross proceeds of $25,000,000, and (2) drawing $12,000,000 under a new senior secured credit facility with a national lender. (See Note 5 - Long Term Debt.)

In connection with the sale and issuance of Series A Convertible Preferred Stock, the Company reported $15,820,000 as a deemed dividend to preferred stockholders representing the beneficial conversion value of the underlying common stock. The beneficial conversion value is treated as a dividend on the convertible preferred stock solely for the purpose of computing earnings per share. The dividend is computed by multiplying (1) the difference between the value of the underlying common stock calculated using the average closing price for the three days prior and three days after the announcement of the merger ($3.63 per share) and the conversion price ($2.50 per share) by (2) the number of shares of common stock into which the convertible preferred stock outstanding at the merger's effective time was convertible (14,000,000 shares).

The acquisition was accounted for using the purchase method of accounting. The Company incurred acquisition costs of $1,476,000 that were included in the purchase price. In addition, $832,000 of transaction related bonuses and termination pay were included in general and administrative expenses on the consolidated statement of operations.

The aggregate purchase price of $80,578,000 for this transaction is summarized as follows:

Fair value of tangible assets acquired (includes cash of $8,444,000)	$ 25,715,000
Liabilities assumed	(21,505,000)
Goodwill	52,966,000
Customer list	22,235,000
Other intangibles	1,167,000
	$ 80,578,000

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 3—Business Combination (continued)

The following are the Company's unaudited pro forma results of operations giving effect to the acquisition of CHD Meridian as though the transaction had occurred on January 1, 2003. The results exclude transaction costs of $1,938,000 and transaction related bonuses and termination pay of $832,000 included in the CHD Meridian and the Company's statements of operations, respectively. The pro forma results also include adjustments to amortization expense associated with the intangibles acquired and interest expense related to the new senior secured credit facility.

	2004	2003
Net revenue	$ 99,757,000	$ 98,183,000
Operating loss	(758,000)	(2,494,000)
Net loss	(2,646,000)	(6,210,000)
Loss per share	$ (0.11)	$ (0.30)

Note 4—Goodwill and Intangible Assets

During the year ended December 31, 2004, the Company recorded $52,966,000 of goodwill related to the purchase of CHD Meridian. On the merger date, $36,814,000 of goodwill was initially recorded for the excess of the purchase price of CHD Meridian over the fair value of net assets acquired in accordance with SFAS No. 142. Additional goodwill of $307,000 was recorded through December 31, 2004 for transaction costs paid subsequent to the merger. Additional goodwill of $1,602,000 was recorded through December 31, 2004 for liabilities incurred related to CHD Meridian's historical business.

During the quarter ended December 31, 2004, the Company reclassified $6,949,000 of the original purchase price from customer lists to goodwill. The Company reversed the associated amortization expense taken during the year ended December 31, 2004 of $457,000.

Pursuant to the merger agreement, the Company recorded additional goodwill of $7,294,000 for the value attributable to accrued purchase price (see Note 3 - Business Combination).

The changes in the carrying amount of goodwill for the year ended December 31, 2004 were as follows:

Balance as of January 1, 2004	$ 8,424,000
Goodwill acquired in the year ended December 31, 2004	52,966,000
Balance as of December 31, 2004	$ 61,390,000

I-TRAX, INC. AND SUBSIDIARIES
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Note 4—Goodwill and Intangible Assets (continued)

The components of identifiable intangible assets that are included in the accompanying consolidated balance sheet as of December 31, 2004 are as follows:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:			
Customer lists	26,736,000	5,554,000	21,182,000
Other intangibles	5,446,000	3,586,000	1,860,000
Total	32,182,000	9,140,000	23,042,000

Customer lists are amortized on a straight-line basis over the expected periods to be benefited, generally 12 to 15 years. Other intangible assets represent technology and deferred marketing costs, which are amortized on a straight-line basis over the expected periods to be benefited, generally 3 to 5 years. In accordance with SFAS No. 142, the Company completes a test for impairment of goodwill and certain other intangible assets annually. Amortization of intangible assets for the years ended December 31, 2004 and 2003 amounted to $2,815,000 and $1,525,000, respectively.

Estimated amortization expense for the next five years is as follows:

2005	$ 2,724,000
2006	$ 2,089,000
2007	$ 2,010,000
2008	$ 1,721,000
2009	$ 1,656,000

Note 5—Long Term Debt

On March 19, 2004, in connection with the CHD Meridian acquisition, the Company obtained a $20,000,000 senior secured credit facility from a national lender which expires on April 1, 2007. In addition to funding the merger and related costs, the Company used a portion of the proceeds from the credit facility to repay $280,000 in related party loans and $944,000 in principal and interest for all other outstanding promissory notes. The credit facility originally had a $6,000,000 term loan commitment with a $14,000,000 revolving credit commitment. The credit facility includes certain financial covenants, including a covenant measuring: (1) the ratio of the Company's funded indebtedness to earnings before income, taxes, depreciation and amortization, or EBITDA, (2) the ratio of the Company's funded indebtedness to capitalization, (3) the Company's fixed charges coverage ratio, and (4) a maximum capital expenditures amount.

The credit facility is secured by substantially all of the Company's assets. Borrowings, at the Company's election, may be either Base rate or Eurodollar rate loans. Base rate loans bear interest at the prime rate as published from time to time, plus up to 0.75% per annum depending on the Company's debt service coverage ratios. Eurodollar rate loans bear interest at the Eurodollar rate, plus up to 3.0% per annum likewise depending on the Company's debt service coverage ratios.

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 5—Long Term Debt (continued)

On August 12, 2004, the Company and the senior lender amended the credit facility. Among other things, the amendment added two additional covenants that required the Company to achieve: (1) minimum stockholders' equity of $82,878,000 as of October 31, 2004, an increase of $10,000,000 from the stockholder's equity reflected on the consolidated balance sheet as of June 30, 2004, and (2) pro forma 2004 EBITDA (giving effect to the acquisition of CHD Meridian Healthcare as though the transaction had occurred on January 1, 2004) of $3,560,000. The amendment also limited the amount the Company could borrow under the facility through October 31, 2004 to $8,500,000.

On October 27, 2004, the Company amended the credit facility again. The amendment: (1) increased the funded indebtedness to EBITDA ratio and the fixed charge coverage ratio; (2) moved the first measurement date for the consolidated net worth covenant to December 31, 2005, and restated the covenant as a maintenance of minimum stockholders' equity at 90% of the level as of December 31, 2005; (3) excluded the outstanding letters of credit from the credit facility borrowing base through January 1, 2006; and (4) converted amounts outstanding under the term loan commitment of the credit facility into the revolving credit commitment, and eliminated the term loan commitment. Following the amendment, the Company continues to have access to $14,000,000 under the credit facility, of which $3,000,000 is currently allocated to outstanding letters of credit and up to $11,000,000 is available under the revolving portion.

As of December 31, 2004, the Company's was in compliance with its financial covenants as follows:

Covenant	Required Ratio	Company's Ratio at December 31, 2004
Funded indebtedness to EBITDA ratio	<=4.50 to 1.00	2.33
Funded indebtedness to capitalization ratio	<=0.35 to 1.00	0.10
Fixed charge coverage ratio	>=1.10 to 1.00	1.67
Maximum capital expenditures	$2,500,000	$1,594,000

As of December 31, 2004, the Company had outstanding $8,308,000 under the credit facility, which was classified as long term, and an aggregate of $3,000,000 under letters of credit. The Company had $2,692,000 available under the credit facility at December 31, 2004.

Note 6—Convertible Debenture

The Company funded the acquisition of WellComm Group in 2002, by selling to Palladin Opportunity Fund LLC (**"Palladin"**) a 6% convertible senior debenture in the principal amount of $2,000,000 and warrants to purchase an aggregate of up to 307,692 shares of common stock at an exercise price of $5.50 per share. The outstanding principal and interest under the debenture was payable in full on or before February 3, 2004. Further, outstanding principal and any accrued interest were convertible at any time at the election of Palladin into common stock. The original conversion price of the debenture was $5.00 per share. In accordance with the terms of the debenture, the price was reset to $3.03 in February 2003 and to $1.75 in June 2003. In accordance with the terms of the warrant, the exercise price of the warrant was reset from $5.50 to $1.75 in June 2003.

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 6—Convertible Debenture (continued)

The initial value assigned to the warrant of $890,272 was recorded as a discount to the debenture and was accreted to interest expense over the term of the debenture. The amount accreted to interest expense associated with the original value assigned to the warrant amounted to $343,782 for the year ended December 31, 2003. As a result of resetting of the exercise price of the warrant in June 2003, the Company recorded an additional charge of $203,077 for interest expense for the additional market value of the warrant on the date of resetting. Lastly, as a result of Palladin's partial conversion of the debenture, the Company recorded $165,682 of additional interest expense for the year ended December 31, 2003. This amount represented the acceleration of the unamortized discount of the warrant, which was attributable to the converted portion of principal.

Upon the initial sale of the debenture, the Company recorded a beneficial conversion value of $948,651. The beneficial conversion value represents the difference between the fair market value of the underlying common stock on the date the debenture was sold (or the date the conversion price is changed) and the price at which the debt could be converted into common stock. The beneficial conversion value was increased by $682,528 as a result of the reset in June 2003. The Company recorded $802,576 of interest expense for the year ended December 31, 2003 for the amortization of the beneficial conversion value of the debenture. As a result of Palladin's partial conversion of the debenture, the Company recorded $365,709 of additional interest expense for the year ended December 31, 2003. This amount represents the unamortized portion of the beneficial conversion value, which is attributable to the converted portion of principal.

The Company, pursuant to the debenture agreement, recorded accrued interest at the rate of 6% on the outstanding principal portion of the debenture. Interest accrued for the year ended December 31, 2003 amounted to $224,350.

For the year ended December 31, 2003, Palladin converted an aggregate of $1,483,351 of the amount due on the debenture for which the Company issued 847,629 shares of common stock.

As of December 31, 2003, the carrying value of the debenture amounted to $379,061 and was included in other long term liabilities on the consolidated balance sheet. The face value of the debenture amounted to $740,999 at December 31, 2003.

The debenture was classified as a long-term liability because, during December 2003, Palladin agreed to extend the maturity date of the debenture until February 2005. As consideration for the extension, the Company granted 50,000 warrants to acquire common stock at $1.75 per share, which Palladin exercised on December 30, 2003. The warrants were valued at approximately $200,000 utilizing the Black-Scholes valuation model. This amount was recorded as a discount to the debenture and was accreted to interest expense over the extension period of one year.

During November and December 2003, Palladin exercised the 307,692 warrants granted upon the sale of the debenture during February 2002, and the 50,000 warrants granted for the extension of the maturity date of the debenture. As a result of the exercises, the Company received proceeds of $625,961.

I-TRAX, INC. AND SUBSIDIARIES
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Note 6—Convertible Debenture (continued)

Lastly, in connection with facilitating the transaction with Palladin, the Company recorded $416,610 of debt issuance costs comprised of $130,000 of cash, 6,200 shares of common stock valued at $40,610 and a warrant to acquire 40,000 shares of common stock at $5.00 per share valued at $246,000 delivered to a third party that brokered the transaction. In connection with the reset in June 2003 of the conversion price of the debenture and the exercise price of the warrants, the Company also, in accordance with a contractual commitment: (1) reset the exercise price of the warrant originally granted to the third party from $5.00 to $1.75 per share, resulting in a charge to operations of $26,400 for additional debt issuance costs; and (2) increased the shares of common stock issuable under the warrant by 74,285 shares, resulting in a further charge to operations of $95,828.

For the year ended December 31, 2003, the amortization of these debt issuance costs amounted to $336,783.

During the first quarter of 2004, Palladin converted the remaining balance of the debenture and outstanding interest into common stock. Accordingly, the Company issued 427,106 shares of common stock for the conversion of principal and accrued interest amounting to $747,000.

Interest expense associated with the debenture amounted to $368,000 for the year ended December 31, 2004. This amount included $362,000 that represents accelerated accretion to interest expense for the discount of the value assigned to the warrants issued to the debenture holder and the beneficial conversion value at date of issuance.

Note 7—Notes Payable—Other

In April 2003, the Company borrowed $100,000 from a stockholder pursuant to a convertible promissory note. The note, with an eleven-month term, accrued interest at 6% per annum and a default interest rate of 12% per annum. The principal and related accrued and unpaid interest was convertible by the stockholder into common stock at anytime at $1.50 per share. As consideration for this loan, the Company granted the stockholder a warrant to acquire 100,000 shares of common stock at an exercise price of $1.50 per share. The value assigned to the warrant of $68,000 was recorded as a discount to the promissory note using the relative fair value of the debt and the warrant to the actual proceeds from the convertible promissory note. The discount was accreted to interest expense over the term of the convertible promissory note. For the year ended December 31, 2003, the discount accreted to interest expense associated with the convertible promissory note amounted to $55,638. At December 31, 2003, the carrying value of the note amounted to $87,638 and was included in other current liabilities on the consolidated balance sheet. On March 19, 2004, the Company repaid such note together with accrued interest.

Pursuant to a promissory note dated April 10, 2003, the Company borrowed $150,000 from a stockholder with an interest rate of 12% per annum, requiring monthly payments of $25,000 plus accrued interest with a final payment due on December 31, 2003. As of December 31, 2003, the outstanding principal balance and related accrued interest was paid in full. For the year ended December 31, 2003, interest expense amounted to $7,981.

I-TRAX, INC. AND SUBSIDIARIES
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Note 7—Notes Payable—Other (continued)

On May 29, 2003, the Company borrowed $100,000 from a stockholder. For the period the loan was outstanding, interest expense amounted to $12,000. The loan and related interest amounting to $112,000 was repaid in full on September 29, 2003.

Note 8—Promissory Notes Payable

On March 2, 2001, the Company borrowed $692,809 from an investor group that included $75,000 from a venture capital fund managed by the Company's Chairman. The loan bore interest at 8% per annum, with a default rate of 12% per annum, and was due on March 2, 2006. The Company also granted this investor group warrants to purchase 364,694 shares of common stock at $0.50 per share, which were exercised during the first quarter of 2002 into 340,317 shares of common stock, net of shares surrendered as exercise price. The value assigned to detachable warrants of $459,854 was accreted to interest expense over the five-year term of the underlying promissory notes.

In June 2003, as part of certain related parties converting and assigning debt (see Note 15 - Related Party Transactions), the venture capital fund managed by the Company's Chairman, with the consent of the Company, assigned the fund's loan in the principal amount of $75,000 and a portion of the accrued interest thereon amounting to $6,669 to an investment relations firm, which thereafter converted the assigned loan into common stock at $1.75 per share. The balance of the accrued interest not assigned in the amount of $6,098 was converted into 3,484 shares of common stock also at $1.75 per share.

The amount accreted to interest expense amounted to $90,708 for the years ended December 31, 2003. At December 31, 2003, the carrying value of the notes amounted to $418,744 and is included in promissory notes and debenture payable, net of discount on the consolidated balance sheet. The face value of the promissory notes amounted to $617,809 at December 31, 2003.

On March 19, 2004, the Company repaid such promissory notes along with accrued interest. (See Note 5 - Long Term Debt.)

Note 9—Deposit on Acquisition of Perpetual License

On April 25, 2003, the Company entered into a marketing and services agreement with BioSignia, Inc. (**"BioSignia"**), whereby the Company committed to pay BioSignia certain minimum payments in return for allowing the Company to private label BioSignia's technology, software and services in connections with the Company's products and services. BioSignia provides products and services in the field of predictive modeling, health economics, epidemiology and prospective medicine. Pursuant to the agreement, the Company paid BioSignia $160,000, which was classified as a deposit on perpetual license.

During 2004, the Company and BioSignia entered into a new agreement whereby for an additional $575,000, the Company acquired a perpetual license to BioSignia's technology and software. The Company believes the useful life of the acquired license is approximately five years. Therefore, the total cost of acquisition, $735,000, was included in fixed assets on the consolidated balance sheet and depreciation expense of approximately $90,000 was recorded during the year ended December 31, 2004.

I-TRAX, INC. AND SUBSIDIARIES
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Note 10—Costs Associated With Terminated Acquisition

On November 8, 2002, the Company entered into a merger agreement to acquire a technology company, which had developed web based predictive modeling software. Under the terms of this agreement and at the time this agreement was executed, the Company deposited $200,000 into an escrow account. This sum was to be released to the target company if the Company failed to satisfy certain conditions to closing, including third-party financing for the cash portion of the purchase price. As a result of not securing the financing by January 31, 2003 as stipulated in the merger agreement, the sum of $200,000 was released in the first quarter of 2003 and charged to operations as terminated acquisition cost included in other expenses on the consolidated statement of operations.

Note 11—Provision For Income Taxes

Income tax expense is comprised of the following for the year ended December 31, 2004:

Current:		
Federal	$	--
State		253,000
Deferred:		--
Income tax expense	$	253,000

At December 31, 2004 and 2003, the Company had a cumulative net operating loss (**"NOL"**) carryforward for federal income tax purposes of $33,000,000 and $18,300,000, respectively, which expires between 2011 and 2021. At December 31, 2004 and 2003, the Company had a cumulative NOL carryforward for state income tax purposes of $17,200,000 and $3,300,000, respectively, which expire between 2006 and 2024. For financial reporting purposes, a valuation allowance of $6,966,000 was recorded against the deferred tax assets related to these carryforwards.

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Note 11—Provision for Income Taxes (continued)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	2004	2003
Deferred tax assets:		
Net operating loss carryforwards	$ 12,159,000	$ 8,987,000
Allowance for doubtful accounts	233,000	--
Accrued expenses	2,434,000	--
Other	87,000	574,000
Total gross deferred tax assets	14,913,000	9,561,000
Less: Valuation allowance	(6,966,000)	(9,561,000)
Total deferred tax assets	7,947,000	--
Deferred tax liabilities:		
Depreciation	(665,000)	--
Amortization	(7,610,000)	--
Net deferred tax asset (liability)	(8,275,000)	--
Total deferred tax liability	$ (328,000)	$ --

Due to the merger with CHD Meridian, the Company recorded $328,000 of net deferred tax liability related to the difference in carrying values of assets and liabilities for financial reporting purposes and tax purposes.

The provision for income taxes for the years ended December 31, 2004 and 2003 differs from the amount computed by applying the statutory rate of 34% due to the following:

	2004	2003
Tax at federal statutory rate	(34.00)%	(34.00)%
State income taxes	6.99%	(4.00)%
Nondeductible amortization	21.77%	----
Stock compensation	81.55%	
Other	1.22%	----
Change in valuation allowance	(70.44)%	38.00%
Income tax provision (benefit)	6.99%	0.00%

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

Note 12—Stockholders' Equity

Preferred Stock

The Company has 2,000,000 authorized shares of preferred stock. As of December 31, 2004, the Company had issued and outstanding 1,070,283 shares of Series A Convertible Preferred Stock. Each share of Series A Convertible Preferred Stock is convertible, at any time, into 10 shares of common stock, has a liquidation preference of $25.00 per share, the original purchase price, and accrues dividends on that amount at a rate of 8% per year. Dividends are payable, at the Company's option, in cash or common stock, and only upon the Company's liquidation or conversion of the Series A Convertible Preferred Stock into common stock. At December 31, 2004, the Company recorded approximately $1,683,000 in accrued dividends.

In the fourth quarter of 2004, 129,717 shares of preferred stock were converted into 1,297,164 shares of common stock. An additional 132,983 shares of common stock were issued to satisfy the accrued dividends related to the converted shares.

The placement agents that assisted the Company in the sale of 1,000,000 shares of the Series A Convertible Preferred Stock to fund the acquisition of CHD Meridian received a commission of $1,490,000, and warrants to acquire 492,000 shares of common stock exercisable at $2.50 per share. Such warrants were valued at $1,506,000 utilizing the Black-Scholes valuation model. The amount of the cash paid has been classified as a cost of equity in the accompanying consolidated statement of stockholders' equity.

Common Stock

The Company has 100,000,000 authorized shares of common stock. As of December 31, 2004, the Company had issued and outstanding 26,226,818 shares, which excludes 3,859,200 shares held in escrow for purposes of the CHD Meridian merger earn out. As discussed in Note 3 - Business Combination, the full number of shares held in escrow will be released following the filing of this report with the SEC.

Warrants

During May 2003, the Company issued an aggregate of 332,760 shares of common stock to four investor relations firms. The common stock valued at $522,708, based on the market price of the common stock on the date of issuance, was charged to operations for 2003.

During May 2003, certain stockholders of the Company contributed loans (which were thereafter converted into common stock) and 163,073 shares of common stock to an investor relations firm retained by the Company as compensation for services. The benefit that the Company received from these contributions were $246,240 based on the market price of the common stock on the date of the contribution, and was charged to operations.

During June 2003, the Company sold 613,986 shares of common stock at $1.75 per share yielding net proceeds (after direct costs including 40,167 shares of common stock) of $1,004,186.

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

Note 12—Stockholders' Equity (continued)

During June 2003, the Company issued 519,667 shares of common stock in connection with the conversion of related party debt and accrued interest thereon amounting to $909,421 based on the market price of the common stock on the date of issuance.

During June 2003, the Company issued 148,485 shares of common stock in connection with the conversion of assigned debt to an investor relations firm amounting to $259,849 based on the market price of the common stock on the date of issuance.

During June 2003, the Company issued 69,711 shares of common stock in connection with the conversion of deferred salaries amounting to $121,997 based on the market price of the common stock on the date of issuance.

During August 2003, the Company commenced a private placement whereby it offered as a unit, two shares of common stock and a warrant to purchase an additional share of common stock exercisable at $3.00 (the market price on the Company's common stock on the date the Company commenced the private placement) for a unit purchase price of $5.00. The maximum amount offered was $3,500,000. Through October 31, 2003, the end of the private placement, the Company issued a total of 1,400,000 shares of common stock and granted warrants to purchase 700,000 additional shares. The Company realized net proceeds of $3,037,894 after expenses as of December 31, 2003.

Pursuant to the terms of the registration rights agreement entered in connection with the transaction, within 30 days of the closing of the private placement, the Company was required to file with the SEC a registration statement under the Securities Act of 1933, as amended, covering the resale the common stock and the common stock underlying the warrants sold in the private placement. Additionally, the Company was required to use its best efforts to cause such registration statement to become effective within 90 days of closing. The registration rights agreement further provided that if a registration statement was not filed or did not become effective within the defined time periods, the Company was required to pay each holder that purchase common stock and warrants liquidated damages equal to 1.5% per month of the aggregate purchase price paid by such holder. The registration statement was filed within the allowed time and was declared effective by the SEC on February 17, 2004.

In accordance with EITF No. 00-19, "Accounting for Derivative Financial Instruments Indexed To, and Potentially Settled in a Company's Own Stock," and the terms of the warrants and the transaction documents, the fair value of the warrants amounted to $2,458,800 on date of grant. The warrants were accounted for as a liability, with an offsetting reduction to additional paid-in capital. The warrant liability was reclassified to equity as of February 17, 2004, the effective date of the registration statement, evidencing the non-impact of these adjustments on the Company's financial position and business operations.

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

Note 12—Stockholders' Equity (continued)

The fair value of the warrants was estimated using the Black-Scholes valuation model with the following assumptions: no dividends; risk-free interest rate of 4%; the contractual life of 5 years and volatility of 112%. The fair value of the warrants at December 31, 2003 was approximately $2,760,000, which reflects an increase in fair value of $301,305 from the time the warrants were granted. This amount was charged to operations as an increase in common stock warrants. The fair value of the warrants increased additionally by approximately $350,000 from December 31, 2003 to February 17, 2004. Accordingly, such increase was charged in the consolidated statement of operations for the quarter ended March 31, 2004 as an increase in common stock warrants.

The adjustments required by EITF 00-19 were triggered by the potential penalties in the agreement if the Company did not timely register the common stock underlying the warrants issued in the transaction. The SEC declared the related registration statement effective within the contractual deadline and the Company incurred no penalties. The adjustments for EITF 00-19 had no impact on the Company's working capital, liquidity, or business operations.

For the year ended December 31, 2003, Palladin converted an aggregate of $1,483,000 outstanding under the debenture into 847,629 shares of the Company's common stock.

During 2003, the Company granted fully vested, non-forfeitable warrants to purchase 375,000 shares of common stock with exercise prices of $1.50 and $1.76 (based on market value at the date of issuance) to certain individuals and one institution for investor relations services pursuant to various consulting agreements expiring in May and June 2004. The value of such warrants, utilizing the Black-Scholes model, amounted to $649,448.

During May 2003, pursuant to the approval of the Board of Directors, the Company granted warrants to purchase an aggregate of 450,000 shares for an exercise price of $1.80 per share (representing a premium over market price on the date of grant) to the Company's Chairman and former Chief Operating Officer for their agreement to support the Company through January 2004. The granting of such warrants did not result in any charges to operations because they were granted to employees.

In April 2003, the Company borrowed $100,000 from a stockholder pursuant to a convertible promissory note. The note, with an eleven-month term, accrues interest at 6% per annum and a default interest rate of 12% per annum. The principal and related accrued and unpaid interest is convertible by the shareholder into common stock at anytime at $1.50 per share. As consideration for this loan, the Company also granted the shareholder a warrant to acquire 100,000 shares of common stock at an exercise price of $1.50 per share. The value assigned to the warrant of $68,000 was recorded as a discount to the promissory note using the relevant fair value of the debt and the warrant to the actual proceeds from the convertible promissory note.

During December 2003, Palladin agreed to extend the maturity date of its debenture until February 2005, in exchange for which the Company granted an additional 50,000 warrants with an exercise price of $1.75 per share. The warrants were valued at approximately $200,000 utilizing the Black-Scholes valuation model. This amount, also recorded as a discount to the debenture, was accreted to interest expense over the extension period of one year.

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

Note 12—Stockholders' Equity (continued)

In connection with the reset in June 2003 of the conversion price of Palladin's debenture and the exercise price of Palladin's warrant, the Company, in accordance with a contractual commitment, reset the exercise price of the warrant originally granted to a third party that brokered the Palladin investment from $5.00 to $1.75 per share and amended the warrant to increase the number of shares issuable thereunder by 74,285 shares of common stock. This reset of the exercise price and the amendment to the warrant resulted in a charge to operations in the amount of $95,828.

During the fourth quarter of 2003, the Company received an aggregate of $968,769 (net of financing costs) from the exercise of warrants from various holders.

The Company issued warrants to acquire 492,000 shares of common stock exercisable at $2.50 per share to the placement agents that assisted the Company in the sale of Series A Convertible Preferred Stock. Such warrants were valued at $1,506,000 utilizing the Black-Scholes valuation model. The value of the warrants was classified as a cost of equity in the consolidated statement of stockholders' equity.

On October 27, 2004, in connection with the amendment of the Company's senior credit facility (see Note 5 - Long Term Debt), the Company issued warrants to purchase 100,000 shares of the Company's common stock at an exercise price of $.01 per share to its senior secured creditor. The warrants were valued at $210,000 and recorded as debt issuance costs. The warrant expires on December 31, 2014.

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

Note 12—Stockholders' Equity (continued)

The following table summarizes the Company's activity as it relates to its warrants for the year ended December 31, 2004:

	Shares Underlying Warrants
Balance outstanding at January 1, 2004	3,351,372
Quarter ended March 31, 2004:	
Granted	492,000
Exercised	(179,278)
Balance outstanding at March 31, 2004	3,664,094
Quarter ended June 30, 2004:	
Granted	--
Exercised	(7,500)
Balance outstanding at June 30, 2004	3,656,594
Quarter ended September 30, 2004	
Granted	--
Exercised	(361,700)
Balance outstanding at September 30, 2004	3,294,894
Quarter ended December 31, 2004	
Granted	100,000
Exercised	--
Balance outstanding at September 30, 2004	3,394,894

At December 31, 2004, all outstanding warrants were exercisable at a weighted average exercise price of $2.78 per share.

Note 13—Stock Options

Equity Compensation Plans and Non-Plan Stock Options

The Company has two equity compensation plans, which were adopted in 2000 and 2001. The purpose of the plans is to provide the opportunity for grants of incentive stock options, nonqualified stock options and restricted stock to employees of the Company and its subsidiaries, certain consultants and advisors who perform services for the Company or its subsidiaries and non-employee members of the Company's Board of Directors. The 2001 plan has several additional features, including, a salary investment option grant program that permits eligible employees to reduce their salary voluntarily as payment of two-thirds of the fair market value of the underlying stock subject to the option, with the remaining one-third of the fair market value payable as the exercise price for the option and, if specifically implemented, automatic grant program for non-employee members of the Board of Directors at periodic intervals.

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

Note 13—Stock Options (continued)

Originally, there were 600,000 shares of common stock authorized for issuance under the 2000 plan and 1,200,000 shares of common stock authorized for issuance under the 2001 plan. The number of shares authorized for issuance under the 2001 plan increases automatically on the first day of each year beginning with the year 2002 by an amount equal to the lesser of (a) three percent of the shares of common stock then outstanding or (b) 200,000 shares. Therefore, effective January 1, 2003, the number of shares of common stock available for issuance under the 2001 plan increased from 1,200,000 to 1,400,000.

In August 2004, the 2001 Plan was amended to increase the number of shares of common stock available for grant under the 2001 Plan by 2,000,000 and to increase the number of shares authorized for issuance under the 2001 plan to increase automatically on the first day of each year to 300,000.

The maximum aggregate number of shares of common stock that can be granted to any individual during any calendar year is 70,000 under the 2000 plan. Under the 2001 plan, such number was increased from 80,000 to 400,000 in August 2004.

2000 Plan Grants

As of December 31, 2004, an aggregate of 160,000 options were outstanding under the 2000 plan. Exercise prices of these options range from $5.00 to $10.00 per share (depending, among other factors, on the fair market value of the stock on the date of grant).

2001 Plan Grants

As of December 31, 2004, an aggregate of 1,099,161 options were outstanding under the 2001 plan. Exercise prices of these options range from $1.51 to $10.00 (depending, among other factors, on fair market value of the stock on the date of grant).

Non-Plan Stock Option Grants

As of December 31, 2004, the Company had outstanding an aggregate of 493,998 options outside of any stock option plan with exercise prices ranging from $.005 to $10.00 per share (depending, among other factors, on fair market value of the stock on the date of grant).

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

Note 13—Stock Options (continued)

The table below summarizes the activity in the Company’s stock option plans for the year ended December 31, 2004:

	Incentive Options	Non-Qualified Options	Non-Plan Non-Qualified Options	Total
Outstanding as of January 1, 2004	652,941	795,973	669,000	2,117,914
Granted	70,921	--	--	70,921
Exercised	--	--	--	--
Forfeited/Expired	--	(30,000)	--	(30,000)
Outstanding as of March 31, 2004	723,862	765,973	669,000	2,158,835
Granted	--	--	--	--
Exercised	--	--	--	--
Forfeited/Expired	(95,875)	--	--	(95,875)
Outstanding as of June 30, 2004	627,987	765,973	669,000	2,062,960
Granted	--	--	--	--
Exercised	--	--	--	--
Forfeited/Expired	(14,291)	--	(175,002)	(189,293)
Outstanding as of September 30, 2004	613,696	765,973	493,998	1,873,667
Granted	--	--	--	--
Exercised	--	--	--	--
Forfeited/Expired	(80,508)	(40,000)	--	(120,508)
Outstanding as of December 31, 2004	533,188	725,973	493,998	1,753,159

As of December 31, 2004, exercisable plan and non-plan options to purchase an aggregate of 1,408,258 shares, with exercise prices ranging from $.005 to $10.00, were outstanding.

The weighted average fair value of options granted during the year ended December 31, 2004 was $4.42 per share.

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

Note 13—Stock Options (continued)

Plan activity is summarized as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$.01	112,000	7.10	$ 0.01	112,000	$ .01
$1.51-$1.77	488,331	8.35	$ 1.52	348,329	$ 1.51
$2.60-$3.00	665,440	6.83	$ 2.76	593,681	$ 2.75
$3.10-$5.00	348,688	7.71	$ 4.15	220,583	$ 4.30
$5.50-$7.50	92,700	6.96	$ 6.00	87,665	$ 6.00
$10.00	46,000	5.40	$ 10.00	46,000	$ 10.00
	1,753,159	7.42	$ 2.88	1,408,258	$ 2.92

On February 2, 2005, the Company granted options to acquire 1,857,000 shares of common stock to certain employees with an exercise price of $1.40 per share.

Effective February 15, 2005, the Company granted options to acquire 400,000 shares of common stock to an director in connection with his appointment as Chief Executive Officer with an exercise price of $1.41 per share.

Note 14—Commitments and Contingencies

Employment Agreements

The Company is a party to various employment agreements with certain of its officers and key employees. Such employment agreements range between 1 and 3 years with annual salaries ranging from $79,000 to $250,000.

Litigation

CHD Meridian is a defendant in a lawsuit seeking a return of approximately $556,000 in payments CHD Meridian received in the ordinary course of business from a client that filed for protection under bankruptcy laws during 2003. Management believes that such amounts were not preferential payments and not subject to repayment. The outcome of this lawsuit cannot be determined. In October 2004, a pair of lawsuits failed by a separate plaintiff seeking recovery of approximately $475,000 as preference payments was settled for substantially less than the demand amount.

The Company is also involved in certain legal actions and claims on a variety of matters related to the normal course of our business. After consultation with legal counsel, management expects these matters will be resolved without any material adverse effect on our consolidated financial position or results of operations. Further, any estimated losses have been adequately provided in other accrued liabilities to the extent probable and reasonably estimable. It is possible, however, that future results of operations for any particular quarterly or annual period could be materially affected by changes in circumstances relating to these procedures. (See also Note 16 - Professional Liability and

Related Reserves.)

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

Note 14—Commitments and Contingencies (continued)

Compliance with Healthcare Regulations

Because the Company operates in the healthcare industry, it is subject to numerous laws and regulations of Federal, state, and local governments. These laws and regulations include, but are not limited to, matters regarding licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in, among other things, expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Company is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Significant Customers

As of December 31, 2004, two customers represented 14% and 10% of the Company's accounts receivable as reflected on the consolidated balance sheet. As of December 31, 2003, one customer represented 25% of the total accounts receivable.

For the year ended December 31, 2004, two customers accounted for 13% and 10% of the Company's revenue as reflected on the consolidated statement of operations. For the year ended December 31, 2003, the Company had three customers which accounted for 29%, 13%, and 14% of revenue.

Risk-Sharing Contracts

From time to time the Company enters into risk-sharing contracts. A risk-sharing contract generally requires the Company to manage the health and wellness of a predetermined set of individuals for a term of three to five years. A risk-sharing contract provides that the Company is required to refund to its client a percentage of the Company's fees if its program does not save the client an agreed upon percentage of the client's healthcare costs. At December 31, 2004, the Company estimated $320,000 of revenue was at risk. This amount was classified as deferred revenue in other current liabilities on the consolidated balance sheet and ass not included in revenue on the consolidated statement of operations.

Operating Leases

Rental expense for operating leases was $2,284,000 and $245,000 for the year ended 2004 and 2003, respectively.

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

Note 14—Commitments and Contingencies (continued)

Future minimum cash lease commitments under all non-cancelable leases in effect at December 31, 2004 were as follows:

2005	$ 1,381,000
2006	1,177,000
2007	1,011,000
2008	905,000
2009	823,000
Thereafter	--
Total	$ 5,297,000

Note 15—Related Party Transactions

During February 2003, the Company repaid $140,000 of the $225,000 loan outstanding to a relative of the Company's Chairman.

During February 2003, pursuant to two promissory notes, two former directors of the Company advanced $200,000 to the Company for working capital. The notes accrued interest at 8% per year and matured in February 2004.

As of June 30, 2003, the Company's Chairman and former Chief Operating Officer, along with a former director of the Company, advanced the Company a total of $540,000 for working capital at an interest rate of 8% per year. As of December 31, 2003, the Company repaid an aggregate of $99,622 to its Chairman and other related parties.

During May 2003, certain stockholders of the Company contributed a total of 163,073 shares of common stock valued at $246,240 to an investor relations consultant for services rendered. Accordingly, the Company charged this amount to operations.

In June 2003, certain of the Company's officers, directors and a venture capital fund managed by the Company's Chairman converted a total $909,421, comprised of loans and advances of $790,697 (including $75,000 from a venture fund managed by the Company's Chairman) and accrued interest of $118,724, into 519,667 shares of common stock at $1.75 per share. In addition, certain of the same parties assigned additional loans in the principal amount of $246,342, and accrued interest of $13,507, to an investor relations firm, which thereafter converted the assigned loans and interest into common stock at $1.75 per share. The price of the conversions was determined with reference to a private placement of common stock to third parties completed by the Company contemporaneously with the conversions.

In connection with the death of a senior executive officer of the Company, during 2003, the Company was entitled to receive proceeds of $500,000 from a key-person life insurance policy maintained by the Company on the life of such senior executive officer. The proceeds from the life insurance policy were pledged as security for loans made to the Company in 2002 and 2003 by the deceased senior executive officer, a former director and a key employee. Accordingly, the life insurance company was instructed to disburse such proceeds directly to the related note holders in partial satisfaction of such loans.

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I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

Note 15—Related Party Transactions (continued)

As of December 31, 2003, the amount due to officers and related parties amounted to $280,000, which was classified as current liabilities since they are due on demand. On March 19, 2004, the Company repaid such related party advances along with accrued interest. (See Note 5 - Long Term Debt.)

Interest expense associated with related party loans and advances amounted to $83,761 for the year ended December 31, 2003.

Note 16—Professional Liability and Related Reserves

Green Hills Insurance Company ("**GHIC**"), a risk retention group, was incorporated by CHD Meridian under the laws of the State of Vermont on January 14, 2004. It was subsequently issued a Certificate of Authority permitting it to transact business as a captive insurance company under the Federal Liability Risk Retention Act of 1986.

GHIC was formed to provide the primary layer of professional and general liability insurance to the Company, its subsidiaries and the Physician Groups. GHIC began to issue policies to CHD Meridian LLC, its subsidiaries and the Physician Groups effective May 1, 2004. Prior to May 1, 2004, CHD Meridian and its affiliated companies were insured for medical professional liability on a claims-made basis through commercial insurance companies. During some of such prior policy years, CHD Meridian and its affiliated companies were insured by two companies which were declared insolvent or placed under regulatory supervision.

GHIC provides medical malpractice on a claims-made basis and general liability insurance on an occurrence basis to its insured members. GHIC's policy limits are $2,000,000 for each claim reported and $4,000,000 in the shared annual aggregate. CHD Meridian maintains excess liability insurance with other unaffiliated commercial insurance carriers above these limits.

GHIC was capitalized with $2,000,000 in cash and a $1,000,000 letter of credit under the Company's senior secured credit facility. As of December 31, 2004, cash held by GHIC, which includes $2,000,000 contributed to GHIC's capital, was invested in cash equivalents in accordance with the regulations promulgated by the State of Vermont and is reflected on the consolidated balance sheet as cash and cash equivalents.

Loss and loss adjustment expense reserves are recorded monthly and represent management's best estimate of the ultimate net cost of all reported and unreported losses incurred. GHIC does not discount loss and loss adjustment expense reserves. The reserves for unpaid losses and loss adjustment expenses are estimated using individual case-basis valuations and statistical analyses. Those estimates are subject to the effects of trends in severity and frequency. Although considerable variability is inherent in such estimates, management believes the reserves for losses and loss adjustment expenses are adequate. The estimates are reviewed and adjusted continuously as experience develops or new information becomes known; such adjustments are included in current operations. To the extent claims are made against the policies in the future, the Company expects such claims to be resolved within five years of original date of claim.

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

Note 16—Professional Liability and Related Reserves (continued)

As of December 31, 2004, the loss reserve for unreported claims prior to the inception of GHIC was $2,000,476, which was included in other long term liabilities on the consolidated balance sheet. As of December 31, 2004, the reserve for unreported losses insured by GHIC was $729,306, which was included in other current liabilities on the consolidated balance sheet. In addition, the Company maintains a reserve of $1,610,808 for cost and settlement amounts of reported claims prior to the inception of GHIC, which as of December 31, 2004, was also included in other current liabilities on the consolidated balance sheet. Management's estimates are based on an independent actuarial report.

Note 17—Profit Sharing and 401(k) Plans

Prior to the merger on March 19, 2004 and through December 31, 2004, the Company maintained a 401(k) profit sharing plan (the **"Company Plan"**) covering qualified employees, which included employer participation in accordance with the provisions of the Internal Revenue Code. The Company Plan allowed participants to make pretax contributions and the Company to match certain percentage of employee contributions depending on a number of factors, including the participant's length of service. The profit sharing portion of the Company Plan was discretionary and noncontributory. All amounts contributed to the Company Plan were deposited into a trust fund administered by an independent trustee. The Company made no contributions to the Company Plan during 2004 and 2003.

Prior to the merger on March 19, 2004 and through December 31, 2004, CHD Meridian maintained a defined contribution benefit plan (the **"CHD Meridian Plan"**), which provided retirement and other benefits to CHD Meridian's employees. Employees became eligible for participation at age 21 and upon completion of 90 consecutive days of employment. CHD Meridian matched (in cash) 50% of the employee's elective contributions up to 2% of the employee's compensation, plus 25% of the employee's elective contributions from 3% to 4% of the employee's compensation. CHD Meridian's contributions vested over four years. CHD Meridian contributions to the CHD Meridian Plan during 2004 and 2003 were approximately $566,000 and $0, respectively.

Effective January 1, 2005, the Company adopted the CHD Meridian Plan to cover all qualified employees of the Company, its direct and indirect subsidiaries, and the Physician Groups.

Item 8. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

There are no changes in or disagreements with accountants on accounting or financial disclosure.

Item 8A. Controls and Procedures

Our management, under the supervision and with the participation of the principal executive officer and principal financial officer, have evaluated the effectiveness of our controls and procedures related to our reporting and disclosure obligations as of December 31, 2004, which is the end of the period covered by this Annual Report on Form 10-KSB. Based on that evaluation, the principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are sufficient to provide that (a) material information relating to us, including our consolidated subsidiaries, is made known to these officers by our and our consolidated subsidiaries other employees, particularly material information related to the period for which this periodic report is being prepared; and (b) this information is recorded, processed, summarized, evaluated and reported, as applicable, within the time periods specified in the rules and forms promulgated by the Securities and Exchange Commission.

There were no changes that occurred during the fiscal quarter ended December 31, 2004 that have materially affected, or are reasonable likely to materially affect, our internal controls over financial reporting.

Item 8B. Other Information

None.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance With Section 16(a) of the Exchange Act

See the information set forth in the section entitled “Proposal No. 1 Election of Directors” in I-trax’s Proxy Statement for the 2005 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2004, or 2005 Proxy Statement, which is incorporated herein by reference.

Item 10. Executive Compensation

See the information set forth in the section entitled “Executive Compensation” in the 2005 Proxy Statement, which is incorporated herein by reference.

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

See the information set forth in the section entitled “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” in the 2005 Proxy Statement, which is incorporated herein by reference.

Item 12. Certain Relationships and Related Transactions

See the information set forth in the section entitled "Certain Relationships and Related Transactions" in the 2005 Proxy Statement, which is incorporated herein by reference.

Item 13. Exhibits

Number	Exhibit Title
2.1	Merger Agreement, dated as of December 26, 2003, by and among I-trax, Inc. Meridian Occupational Healthcare Associates, Inc., doing business as CHD Meridian Healthcare, DCG Acquisition, Inc., and CHD Meridian Healthcare, LLC. (Incorporated by reference to Exhibit 2.1 to I-trax, Inc.'s Current Report on Form 8-K, filed on December 29, 2003.)
2.2	Amendment to Merger Agreement, dated February 4, 2004, by and among I-trax, Inc. Meridian Occupational Healthcare Associates, Inc., doing business as CHD Meridian Healthcare, DCG Acquisition, Inc., and CHD Meridian Healthcare, LLC. (Incorporated by reference to Appendix A to I-trax, Inc.'s Proxy Statement dated, and filed on, February 6, 2004.)
3.1	Certificate of Incorporation of I-trax, Inc. filed on September 15, 2000. (Incorporated by reference to Exhibit 3.1 to I-trax, Inc.'s Registration Statement on Form S-4, Registration No. 333-48862, filed on October 27, 2000.)
3.2	Certificate of Amendment to Certificate of Incorporation of I-trax, Inc. filed on June 4, 2001. (Incorporated by reference to Exhibit 3.2 to I-trax, Inc.'s Annual Report on Form 10-KSB for the fiscal year ended December 31, 2001, filed on April 4, 2002.)
3.3	Certificate of Amendment to Certificate of Incorporation of I-trax, Inc. filed on January 2, 2003. (Incorporated by reference to Exhibit 3.3 to I-trax, Inc.'s Annual Report on Form 10-KSB for the fiscal year ended December 31, 2002, filed on April 15, 2003.)
3.4	Amended and Restated Bylaws of I-trax, Inc.
4.1	Form of Common Stock certificate of I-trax, Inc.'s Common Stock. (Incorporated by reference to Exhibit 4.1 to I-trax, Inc.'s Annual Report on Form 10-KSB for the fiscal year ended December 31, 2001, filed on April 4, 2002.)
4.2	Certificate of Designations, Preferences and Rights of the Series A Convertible Preferred Stock of I-trax, Inc. filed on March 19, 2004. (Incorporated by reference to Exhibit 4.2 to I-trax, Inc.'s Annual Report on Form 10-KSB for the year ended December 31, 2003, filed on April 8, 2004.)
4.3	Form of warrant certificate of I-trax, Inc. issued to private placement participants in private placement closed on October 31, 2003. (Incorporated by reference to Exhibit 4.1 to I-trax, Inc.'s Registration Statement on Form S-3, Registration No.

	333-110891, filed on December 3, 2003.)
4.4	Financial Advisor's Warrant Agreement between Westminster Securities Corporation and I-trax, Inc. dated as of May 23, 2003, with a form of warrant attached. (Incorporated by reference to Exhibit 4.2 to I-trax, Inc.'s Registration Statement on Form S-3, Registration No. 333-110891, filed on December 3, 2003.)

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4.5	Financial Advisor's Warrant Agreement between Westminster Securities Corporation and I-trax, Inc. dated as of October 31, 2003, with a form of warrant attached. (Incorporated by reference to Exhibit 4.3 to I-trax, Inc.'s Registration Statement on Form S-3, Registration No. 333-110891, filed on December 3, 2003.)
4.6	Financial Advisor's Warrant Agreement between Westminster Securities Corporation and I-trax, Inc. dated as of December 11, 2003, with a form of warrant attached. (Incorporated by reference to Exhibit 4.4 to I-trax, Inc.'s Registration Statement on Form S-3, Amendment No. 1, Registration No. 333-110891, filed on February 2, 2004.)
4.7	Form of warrant certificate of I-trax, Inc. issued as of March 19, 2004 to placement agents of Series A Convertible Preferred Stock. (Incorporated by reference to Exhibit 4.7 to I-trax, Inc.'s Annual Report on Form 10-KSB for the year ended December 31, 2003, filed on April 8, 2004.)
4.8	Form of Common Stock Warrant Certificate of I-trax, Inc. issued effective November 1, 2004 to Bank of America, N.A. (Incorporated by reference to Exhibit 10.1 to I-trax, Inc.'s Current Report on Form 8-K filed on October 29, 2004.)
10.1	Lease Agreement dated April 10, 2000, between I-Trax.com, Inc. and OLS Office Partners, L.P. (Incorporated by reference to Exhibit 10.1 to I-Trax.com, Inc.'s Quarterly Report Form 10-QSB for the quarter ended June 30, 2000, filed on August 14, 2000.)
10.2	Lease Agreement dated May 28, 2002, between I-trax, Inc. and F & J Enterprises, Inc. dba Bedford Plaza. (Incorporated by reference to Exhibit 10.23 to I-trax, Inc.'s Registration Statement on Form SB-2, Amendment No. 1, Registration No. 333-87134, filed on July 11, 2002.)
10.3	Lease Agreement dated January 2002, between Burton Hills IV Partnership and Meridian Occupational Healthcare Associates, Inc., d/b/a CHD Meridian Healthcare. (Incorporated by reference to Exhibit 10.1 to I-trax, Inc.'s Quarterly Report Form 10-QSB for the quarter ended March 30, 2004, filed on May 14, 2004.)
10.4	Lease Agreement made as on August 12, 2004, by and between Henderson Birmingham Associates and I-trax Health Management Solutions, Inc. (Incorporated by reference to Exhibit 10.1 to I-trax, Inc.'s Quarterly Report Form 10-QSB for the quarter ended September 30, 2004, filed on November 15, 2004.)
10.5	Guarantee and Suretyship Agreement made as on August 12, 2004, by I-trax, Inc. for the benefit of Henderson Birmingham Associates. (Incorporated by reference to Exhibit 10.2 to I-trax, Inc.'s Quarterly Report Form 10-QSB for the quarter ended September 30, 2004, filed on November 15, 2004.)
10.6	I-trax, Inc. 2000 Equity Compensation Plan. (Incorporated by reference to Exhibit 10.16 to I-Trax.com, Inc.'s Registration Statement on Form 10-SB, files on April 10, 2000.)

10.7	I-trax, Inc. Amended and Restated 2001 Equity Compensation Plan. (Incorporated by reference to Exhibit 10.3 to I-trax, Inc.'s Quarterly Report Form 10-QSB for the quarter ended September 30, 2004, filed on November 15, 2004.)
10.8	License and Maintenance Agreement dated as of September 30, 2002, between I-trax, Inc. and UICI, Inc. (Incorporated by reference to Exhibit 10 to I-trax, Inc.'s Current Report on Form 8-K, filed on October 9, 2002.)
10.9	Employment Agreement effective as of December 29, 2000, between I-trax Health Management Solutions, Inc. (f/k/a I-Trax.com, Inc.) and Frank A. Martin. (Incorporated by reference to Exhibit 10.17 to I-Trax.com, Inc.'s Annual Report on Form 10-KSB for the fiscal year ended December 31, 2000, filed on April 2, 2001.)
10.10	Employment Agreement dated as of January 1, 2000, between Meridian Occupational Healthcare Associates, Inc. and Haywood D. Cochrane, Jr. (Incorporated by reference to Exhibit 10.10 to I-trax, Inc.'s Annual Report on Report Form 10-KSB for the year ended December 31, 2003, filed on April 8, 2004.)
10.11	Employment Agreement dated November 17, 2004, between I-trax, Inc. and David R. Bock. (Incorporated by reference to Exhibit 10.1 to I-trax, Inc.'s Current Report on Form 8-K, filed on November 22, 2004.)
10.12	Employment Agreement dated November 17, 2004, between I-trax, Inc. and Yuri Rozenfeld. (Incorporated by reference to Exhibit 10.2 to I-trax, Inc.'s Current Report on Form 8-K, filed on November 22, 2004.)
10.13	Employment Agreement dated March 14, 2005, between I-trax, Inc. and R. Dixon Thayer.
10.14	Credit Agreement dated as of March 19, 2004, by and among I-trax, Inc., all subsidiaries of I-trax, Inc. that are parties to the Credit Agreement, and Bank of America, N.A. (Incorporated by reference to Exhibit 10.11 to I-trax, Inc.'s Annual Report on Report Form 10-KSB for the year ended December 31, 2003, filed on April 8, 2004.)
10.15	First Amendment to Credit Agreement dated as of June 1, 2004, by and among I-trax, Inc., all subsidiaries of I-trax, Inc. that are parties to the Credit Agreement, and Bank of America, N.A. (Incorporated by reference to Exhibit 10.1 to I-trax, Inc.'s Quarterly Report Form 10-QSB for the quarter ended June 30, 2004, filed on August 18, 2004.)
10.16	Second Amendment to Credit Agreement dated as of July 1, 2004, by and among I-trax, Inc., all subsidiaries of I-trax, Inc. that are parties to the Credit Agreement, and Bank of America, N.A. (Incorporated by reference to Exhibit 10.2 to I-trax, Inc.'s Quarterly Report Form 10-QSB for the quarter ended June 30, 2004, filed on August 18, 2004.)
10.17	Third Amendment to Credit Agreement dated as of August 12, 2004, by and among I-trax, Inc., all subsidiaries of I-trax that are parties to the Credit Agreement, and

	Bank of America, N.A. (Incorporated by reference to Exhibit 10.3 to I-trax, Inc.'s Quarterly Report Form 10-QSB for the quarter ended June 30, 2004, filed on August 18, 2004.)
10.18	Fourth Amendment to Credit Agreement, dated October 27, 2004, by and among I-trax, Inc., all subsidiaries of I-trax, Inc. that are parties to the Credit Agreement and Bank of America, N.A. (Incorporated by reference to Exhibit 10.1 to I-trax, Inc.'s Current Report on Form 8-K filed on October 29, 2004.)

21	Subsidiaries of I-trax, Inc.
23	Consent of Goldstein Golub Kessler LLP.
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.

Item 14. Principal Accounting Fees and Services

See the information set forth in the section entitled “Principal Accounting Fees and Services” in the 2005 Proxy Statement, which is incorporated herein by reference.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized as of March 29, 2005.

I-TRAX, INC.

By: /s/ R. Dixon Thayer
R. Dixon Thayer, Chief Executive Officer

By: /s/ David R. Bock
David R. Bock, Senior Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Haywood D. Cochrane, Jr. Haywood D. Cochrane, Jr.	Vice-Chairman and Director	March 29, 2005
/s/ Philip D. Green Philip D. Green	Director	March 29, 2005
/s/ Dr. Michael M.E. Johns Dr. Michael M.E. Johns	Director	March 29, 2005
/s/ Gail F. Lieberman Gail F. Lieberman	Director	March 29, 2005
/s/ Dr. David Nash Dr. David Nash	Director	March 29, 2005
/s/ Frank A. Martin Frank A. Martin	Chairman and Director	March 29, 2005
/s/ R. Dixon Thayer R. Dixon Thayer	Chief Executive Officer and Director	March 29, 2005