

PG&E CORP
Form S-3ASR
February 22, 2008

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**As filed with the Securities and Exchange Commission on February 22, 2008
Registration No. 333-**

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**Form S-3
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

PG&E Corporation
(Exact Name of Registrant as Specified in Its Charter)

California <i>(State or Other Jurisdiction of Incorporation or Organization)</i>	One Market Street, Spear Tower Suite 2400 San Francisco, CA 94105 (415) 973-7000 <i>(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)</i>	94-3234914 <i>(I.R.S. Employer Identification Number)</i>
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Hyun Park
Senior Vice President and General Counsel
PG&E Corporation
One Market, Spear Tower, Suite 2400
San Francisco, CA 94105
(415) 267-7000
*(Name, Address, Including Zip Code, and Telephone
Number,
Including Area Code, of Agent for Service)*

Please send copies of all communications to:

Brett Cooper, Esq.
Orrick, Herrington & Sutcliffe LLP
The Orrick Building
405 Howard Street
San Francisco, CA 94105
(415) 773-5700

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box:

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box:

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

If this Form is a post-effective amendment filed pursuant to Rule 462(c) 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.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price per Unit(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Debt Securities (comprising senior notes and subordinated notes)				
Common Stock				
Preferred Stock				
Depositary Shares				
Warrants to Purchase Common Stock, Preferred Stock or Debt Securities				
Securities Purchase Contracts				
Securities Purchase Units				

(1) An indeterminate amount or number of Debt Securities, Common Stock, Preferred Stock, Warrants, Securities Purchase Contracts and Securities Purchase Units is being registered as may from time to time be issued at indeterminate prices.

- (2) In accordance with Rule 456(b) and Rule 457(r) under the Securities Act, the registrant is deferring payment of all of the registration fee.
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PROSPECTUS

**Debt Securities, Common Stock, Preferred Stock,
Depositary Shares, Warrants to Purchase Debt Securities,
Common Stock and Preferred Stock,
Securities Purchase Contracts and Securities Purchase Units**

We may offer and sell an indeterminate amount of securities from time to time in one or more offerings. This prospectus provides you with a general description of the securities we may offer.

Each time we sell securities, we will provide a supplement to this prospectus that contains specific information about the offering and the terms of the securities. The supplement may also add, update or change information contained in this prospectus. You should carefully read this prospectus and the accompanying prospectus supplement before you invest in any of our securities.

See Risk Factors on page 1 for information on certain risks related to the purchase of our securities.

None of the Securities and Exchange Commission, any state securities commission or any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or the SEC, using a shelf registration process. Under this shelf registration process, we may from time to time sell an indeterminate principal amount of securities in one or more offerings.

This prospectus provides you with only a general description of the securities that we may offer. This prospectus does not contain all of the information set forth in the registration statement of which this prospectus is a part, as permitted by the rules and regulations of the SEC. For additional information regarding us and the offered securities, please refer to the registration statement of which this prospectus is a part. Each time we sell securities, we will provide a prospectus supplement that contains specific information about the offering and the terms of the offered securities. The prospectus supplement also may add, delete, update or change information contained in this prospectus. You should rely only on the information in the applicable prospectus supplement if this prospectus and the applicable prospectus supplement are inconsistent. Before purchasing any securities, you should carefully read both this prospectus and the applicable prospectus supplement, together with the additional information described under the section of this prospectus titled **Where You Can Find More Information**. In particular, you should carefully consider the risks and uncertainties described under the section titled **Risk Factors** or otherwise included in any applicable prospectus supplement or incorporated by reference in this prospectus before you decide whether to purchase the

securities. These risks and uncertainties, together with those not known to us or those that we may deem immaterial, could impair our business and ultimately affect our ability to make payments on the securities.

You should rely only on the information contained or incorporated by reference in this prospectus and in any applicable prospectus supplement. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither we nor any underwriter, dealer or agent will make an offer to sell the securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this prospectus and any applicable prospectus supplement is accurate only as of the dates on their covers. Our business, financial condition, results of operations and prospects may have changed since those dates.

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PG&E CORPORATION

We are an energy-based holding company headquartered in San Francisco, California that conducts its business principally through Pacific Gas and Electric Company, a public utility operating in northern and central California. The Utility engages in the businesses of electricity and natural gas distribution, electricity generation, procurement and transmission, and natural gas procurement, transportation and storage.

Our executive offices are located at One Market Street, Spear Tower, Suite 2400, San Francisco, California 94105, and our telephone number is (415) 267-7000.

When used in this prospectus and unless otherwise specified, the term Utility refers to our subsidiary, Pacific Gas and Electric Company, and the terms we, our, us and the Company refer to PG&E Corporation and its consolidated subsidiaries.

RISK FACTORS

Investing in our securities involves risk. Please see risk factors described in our Annual Report on Form 10-K and other reports filed with the SEC, which are all incorporated by reference in this prospectus. Before making an investment decision, you should carefully consider these risks as well as other information contained or incorporated by reference in this prospectus or the applicable supplement to this prospectus. The risks and uncertainties described are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations, financial results and the value of our securities.

FORWARD-LOOKING STATEMENTS

This prospectus, the documents incorporated by reference in this prospectus and any applicable prospectus supplement contain forward-looking statements that are necessarily subject to various risks and uncertainties. These statements are based on current estimates, expectations and projections about future events, and assumptions regarding these events and management's knowledge of facts as of the date of this report. These forward-looking statements relate to, among other matters, estimated capital expenditures, estimated Utility rate base, estimated environmental remediation liabilities, estimated tax liabilities, the anticipated outcome of various regulatory and legal proceedings, future cash flows, and the level of future equity or debt issuances, and are also identified by words such as assume, expect, intend, plan, project, believe, estimate, predict, anticipate, aim, may, might, should, would, could, expressions. We are not able to predict all the factors that may affect future results. Some of the factors that could cause future results to differ materially from those expressed or implied by the forward-looking statements, or from historical results, include, but are not limited to:

the Utility's ability to manage capital expenditures and operating costs within authorized levels and recover costs through rates in a timely manner;

the outcome of regulatory proceedings, including pending and future ratemaking proceedings at the California Public Utilities Commission, or CPUC, and the Federal Energy Regulatory Commission;

the adequacy and price of electricity and natural gas supplies, and the ability of the Utility to manage and respond to the volatility of the electricity and natural gas markets;

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the effect of weather, storms, earthquakes, fires, floods, disease, other natural disasters, explosions, accidents, mechanical breakdowns, acts of terrorism, and other events or hazards on the Utility's facilities and operations, its customers, and third parties on which the Utility relies;

the potential impacts of climate change on the Utility's electricity and natural gas businesses;

changes in customer demand for electricity and natural gas resulting from unanticipated population growth or decline, general economic and financial market conditions, changes in technology, including the development of alternative energy sources, or other reasons;

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operating performance of the Utility's Diablo Canyon nuclear generating facilities, or Diablo Canyon, the occurrence of unplanned outages at Diablo Canyon, or the temporary or permanent cessation of operations at Diablo Canyon;

whether the Utility can maintain the cost efficiencies it has recognized from its completed initiatives to improve its business processes and customer service, improve its performance following the October 2007 implementation of new work processes and systems, and identify and successfully implement additional cost-saving measures;

whether the Utility incurs substantial unanticipated expense to improve the safety and reliability of its electric and natural gas distribution systems;

whether the utility achieves the CPUC's energy efficiency targets and timely recognizes any incentives the Utility may earn in a timely manner;

the impact of changes in federal or state laws, or their interpretation, on energy policy and the regulation of utilities and their holding companies;

the impact of changing wholesale electric or gas market rules, including new rules of the California Independent System Operator to restructure the California wholesale electricity market;

how the CPUC administers the conditions imposed on us when we became the Utility's holding company;

the extent to which we or the Utility incurs costs and liabilities in connection with litigation that are not recoverable through rates, from insurance or from other third parties;

our ability and/or the ability of the Utility to access capital markets and other sources of credit in a timely manner on favorable terms;

the impact of environmental laws and regulations and the costs of compliance and remediation;

the effect of municipalization, direct access, community choice aggregation, or other forms of bypass;

the impact of changes in federal or state tax laws, policies, or regulations; and

other factors and risks discussed in our and the Utility's annual and other reports filed with the SEC.

For more information about the more significant risks that could affect the outcome of these forward-looking statements and our and the Utility's future financial condition and results of operations, you should read the sections of the documents incorporated herein by reference titled "Risk Factors," as well as the important factors set forth under the heading "Risk Factors" in the applicable supplement to this prospectus.

You should read this prospectus, any applicable prospectus supplements, the documents that we incorporate by reference into this prospectus, the documents that we have included as exhibits to the registration statement of which this prospectus is a part and the documents that we refer to under the section of this prospectus titled "Where You Can Find More Information" completely and with the understanding that our actual future results could be materially different from what we expect when making the forward-looking statement. We qualify all our forward-looking statements by these cautionary statements. These forward-looking statements speak only as of the date of this

prospectus, the date of the document incorporated by reference or the date of any applicable prospectus supplement. Except as required by applicable laws or regulations, we do not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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Each prospectus supplement will describe the uses of the proceeds from the issuance of the securities offered by that prospectus supplement.

CERTAIN RATIOS

The following table sets forth our Ratios of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends for the periods indicated:

		Year Ended December 31,				
	2007	2006	2005	2004	2003	
Ratio of earnings to fixed charges	2.68x	2.86x	3.36x	9.69x	1.75x	
Ratio of earnings to combined fixed charges and preferred stock dividends	2.63x	2.81x	3.23x	9.21x	1.70x	

For the purpose of computing the ratios of earnings to fixed charges and ratios of earnings to combined fixed charges and preferred stock dividends, earnings represent net income adjusted for the minority interest in losses of less than 100% owned affiliates, equity in undistributed income or losses of less than 50% owned affiliates, income taxes and fixed charges (excluding capitalized interest). Fixed charges include interest on long-term debt and short-term borrowings (including a representative portion of rental expense), amortization of bond premium, discount and expense, interest on capital leases, allowance for funds used during construction debt, and earnings required to cover the preferred stock dividend requirements and preferred security distribution requirements of majority-owned trust.

Preferred stock dividends represent the deductible dividends and pre-tax earnings that are required to pay the dividends on outstanding preferred securities. Fixed charges exclude interest on FASB Interpretation No. 48 (Accounting for Uncertainty in Income Taxes) tax liabilities.

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DESCRIPTION OF SECURITIES

The following is a general description of the terms and provisions of the securities we may offer and sell by this prospectus. These summaries are not meant to be a complete description of each security. This prospectus and any accompanying prospectus supplement will contain the material terms and conditions for each security. The accompanying prospectus supplement may add, update or change the terms and conditions of the securities as described in this prospectus.

Holding Company Structure

We conduct our operations primarily through our subsidiaries and substantially all of our consolidated assets are held by our subsidiaries. Accordingly, our cash flow and our ability to meet our obligations under the debt securities are largely dependent upon the earnings of our subsidiaries and the distribution or other payment of these earnings to us in the form of dividends or loans or advances and repayment of loans and advances from us. Our subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts due on the debt securities or to make any funds available for payment of amounts due on these debt securities.

Because we are a holding company, our obligations under the debt securities will be structurally subordinated to all existing and future liabilities of our subsidiaries. Therefore, our rights and the rights of our creditors, including the rights of the holders of the debt securities and any debt securities guarantees, to participate in the assets of any subsidiary upon the liquidation or reorganization of the subsidiary will be subject to the prior claims of the subsidiary's creditors. To the extent that we may ourselves be a creditor with recognized claims against any of our subsidiaries, our claims would still be effectively subordinated to any security interest in, or mortgages or other liens on, the assets of the subsidiary and would be subordinated to any indebtedness or other liabilities of the subsidiary that are senior to the claims held by us. We expect to incur, and we expect each of our subsidiaries will incur, substantial additional amounts of indebtedness.

DESCRIPTION OF THE SENIOR NOTES

Set forth below is a description of the general terms of the senior notes. The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the senior note indenture to be entered into between us and the trustee named in the senior note indenture (the Senior Note Indenture Trustee), as to be supplemented by a supplemental indenture to the senior note indenture establishing the senior notes of each series (the senior note indenture, as so supplemented, is referred to as the Senior Note Indenture), the forms of which are filed as exhibits to the Registration Statement of which this prospectus forms a part. The terms of the senior notes will include those stated in the Senior Note Indenture and those made a part of the Senior Note Indenture by reference to the Trust Indenture Act of 1939, which we refer to as the 1939 Act. Certain capitalized terms used in this prospectus are defined in the Senior Note Indenture.

General

The senior notes will be issued as unsecured senior debt securities under the Senior Note Indenture and will rank equally with all other unsecured and unsubordinated debt of the Company. The senior notes will be effectively subordinated to all secured debt of the Company. As of December 31, 2007, on an unconsolidated basis, our secured debt aggregated approximately \$0. The Senior Note Indenture does not limit the aggregate principal amount of senior notes that may be issued under the Senior Note Indenture and provides that senior notes may be issued from time to time in one or more series pursuant to a supplemental indenture to the Senior Note Indenture. The Senior Note

Indenture gives us the ability to reopen a previous issue of senior notes and issue additional senior notes of such series, unless otherwise provided.

Provisions of a Particular Series

The prospectus supplement applicable to each series of senior notes will specify, among other things:

the title of such senior notes;

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any limit on the aggregate principal amount of such senior notes;

the date or dates on which the principal of such senior notes is payable;

the rate or rates at which such senior notes shall bear interest, if any, or any method by which such rate or rates will be determined, the date or dates from which such interest will accrue, the interest payment dates on which such interest shall be payable, and the regular record date for the interest payable on any interest payment date;

the place or places where the principal of (and premium, if any) and interest, if any, on such senior notes shall be payable;

the period or periods within which, the price or prices at which and the terms and conditions on which such senior notes may be redeemed, in whole or in part, at our option or at the option of the holder prior to their maturity;

our obligation, if any, to redeem or purchase such senior notes;

the date or dates, if any, after which such senior notes may be converted or exchanged at the option of the holder into or for shares of our Common Stock and the terms for any such conversion or exchange;

the denominations in which such senior notes shall be issuable;

if other than the principal amount of such senior notes, the portion of the principal amount of such senior notes which shall be payable upon declaration of acceleration of the maturity of such senior notes;

any deletions from, modifications of or additions to the Events of Default or covenants of the Company as provided in the Senior Note Indenture pertaining to such senior notes;

whether such senior notes shall be issued in whole or in part in the form of a Global Security; and

any other terms of such senior notes.

The Senior Note Indenture does not contain provisions that afford holders of senior notes protection in the event of a highly leveraged transaction involving us.

Registration and Transfer

We shall not be required to (i) issue, register the transfer of or exchange senior notes of any series during a period of 15 days immediately preceding the date notice is given identifying the senior notes of such series called for redemption, or (ii) issue, register the transfer of or exchange any senior notes so selected for redemption, in whole or in part, except the unredeemed portion of any senior note being redeemed in part.

Payment and Paying Agent

Unless otherwise indicated in an applicable prospectus supplement, payment of principal of any senior notes will be made only against surrender to the Paying Agent of such senior notes. Principal of and interest on senior notes will be payable, subject to any applicable laws and regulations, at the office of such Paying Agent or Paying Agents as we may designate from time to time, except that, at our option, payment of any interest may be made by wire transfer or

by check mailed to the address of the person entitled to an interest payment as such address shall appear in the Security Register with respect to the senior notes. Payment of interest on senior notes on any interest payment date will be made to the person in whose name the senior notes (or predecessor security) are registered at the close of business on the record date for such interest payment.

Unless otherwise indicated in an applicable prospectus supplement, the Senior Note Indenture Trustee will act as Paying Agent with respect to the senior notes. The Company may at any time designate additional Paying Agents or rescind the designation of any Paying Agents or approve a change in the office through which any Paying Agent acts.

All moneys paid by us to a Paying Agent for the payment of the principal of or interest on the senior notes of any series which remain unclaimed at the end of two years after such principal or interest shall have become due and

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payable will be repaid to the Company, and the holder of such senior notes will from that time forward look only to the Company for payment of such principal and interest.

Consolidation, Merger and Sale

We shall not consolidate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any person, unless:

such other corporation or person is a corporation organized and existing under the laws of the United States, any state in the United States or the District of Columbia and such other corporation or person expressly assumes, by supplemental indenture executed and delivered to the Senior Note Indenture Trustee, the payment of the principal of (and premium, if any) and interest on all the senior notes and the performance of every covenant of the Senior Note Indenture on the part of the Company to be performed or observed;

immediately after giving effect to such transactions, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and

we have delivered to the Senior Note Indenture Trustee an officers' certificate and an opinion of counsel, each stating that such transaction complies with the provisions of the Senior Note Indenture governing consolidation, merger, conveyance, transfer or lease and that all conditions precedent to the transaction have been complied with.

Modification

The Senior Note Indenture contains provisions permitting us and the Senior Note Indenture Trustee, with the consent of the holders of not less than a majority in principal amount of the outstanding senior notes of each series that is affected, to modify the Senior Note Indenture or the rights of the holders of the senior notes of such series; provided, that no such modification may, without the consent of the holder of each outstanding senior note that is affected:

change the stated maturity of the principal of, or any installment of principal of or interest on, any senior note, or reduce the principal amount of any senior note or the rate of interest on any senior note or any premium payable upon the redemption of any senior note, or change the method of calculating the rate of interest of any senior note, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity of any senior note (or, in the case of redemption, on or after the redemption date); or

reduce the percentage of principal amount of the outstanding senior notes of any series, the consent of whose holders is required for any such supplemental indenture, or the consent of whose holders is required for any waiver (of compliance with certain provisions of the Senior Note Indenture or certain defaults under the Senior Note Indenture and their consequences) provided for in the Senior Note Indenture; or

modify any of the provisions of the Senior Note Indenture relating to supplemental indentures, waiver of past defaults, or waiver of certain covenants, except to increase any such percentage or to provide that certain other provisions of the Senior Note Indenture cannot be modified or waived without the consent of the holder of each outstanding senior note that is affected.

In addition, we and the Senior Note Indenture Trustee may execute, without the consent of any holders of senior notes, any supplemental indenture for certain other usual purposes, including the creation of any new series of senior notes.

Events of Default

The Senior Note Indenture provides that any one or more of the following described events with respect to the senior notes of any series, which has occurred and is continuing, constitutes an Event of Default with respect to the senior notes of such series:

failure for 30 days to pay interest on the senior notes of such series, when due on an interest payment date other than at maturity or upon earlier redemption; or

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failure to pay principal or premium, if any, or interest on the senior notes of such series when due at maturity or upon earlier redemption; or

failure for three Business Days to deposit any sinking fund payment when due by the terms of a senior note of such series; or

failure to observe or perform any other covenant or warranty of ours in the Senior Note Indenture (other than a covenant or warranty which has expressly been included in the Senior Note Indenture solely for the benefit of one or more series of senior notes other than such series) for 90 days after written notice to us from the Senior Note Indenture Trustee or the holders of at least 25% in principal amount of the outstanding senior notes of such series; or

certain events of bankruptcy, insolvency or reorganization of the Company.

The holders of not less than a majority in aggregate outstanding principal amount of the senior notes of any series have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Senior Note Indenture Trustee with respect to the senior notes of such series. If a Senior Note Indenture Event of Default occurs and is continuing with respect to the senior notes of any series, then the Senior Note Indenture Trustee or the holders of not less than 25% in aggregate outstanding principal amount of the senior notes of such series may declare the principal amount of the senior notes due and payable immediately by notice in writing to us (and to the Senior Note Indenture Trustee if given by the holders), and upon any such declaration such principal amount shall become immediately due and payable. At any time after such a declaration of acceleration with respect to the senior notes of any series has been made and before a judgment or decree for payment of the money due has been obtained as provided in Article Five of the Senior Note Indenture, the holders of not less than a majority in aggregate outstanding principal amount of the senior notes of such series may rescind and annul such declaration and its consequences if the default has been cured or waived and the Company has paid or deposited with the Senior Note Indenture Trustee a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration and all sums paid or advanced by the Senior Note Indenture Trustee, including reasonable compensation and expenses of the Senior Note Indenture Trustee.

The holders of not less than a majority in aggregate outstanding principal amount of the senior notes of any series may, on behalf of the holders of all the senior notes of such series, waive any past default with respect to such series, except (i) a default in the payment of principal or interest or (ii) a default in respect of a covenant or provision which under Article Nine of the Senior Note Indenture cannot be modified or amended without the consent of the holder of each outstanding senior note of such series affected.

Information Concerning the Senior Note Indenture Trustee

The Senior Note Indenture Trustee, prior to an Event of Default with respect to senior notes of any series, undertakes to perform, with respect to senior notes of such series, only such duties as are specifically set forth in the Senior Note Indenture and, in case an Event of Default with respect to senior notes of any series has occurred and is continuing, shall exercise, with respect to senior notes of such series, the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provision, the Senior Note Indenture Trustee is under no obligation to exercise any of the powers vested in it by the Senior Note Indenture at the request of any holder of senior notes of any series, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred by the Senior Note Indenture Trustee. The Senior Note Indenture Trustee is not required to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties if the Senior Note Indenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured

to it.

We and certain of our subsidiaries may maintain deposit accounts and banking relationships with the Senior Note Indenture Trustee. The Senior Note Indenture Trustee and certain of its affiliates may also serve as trustee under other indentures pursuant to which securities of the Company and certain subsidiaries of the Company are outstanding.

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Governing Law

The Senior Note Indenture and the senior notes will be governed by, and construed in accordance with, the internal laws of the State of New York.

Miscellaneous

We will have the right at all times to assign any of our rights or obligations under the Senior Note Indenture to a direct or indirect wholly-owned subsidiary; provided, that, in the event of any such assignment, we will remain primarily liable for all such obligations. Subject to the foregoing, the Senior Note Indenture will be binding upon and inure to the benefit of the parties to the Senior Note Indenture and their respective successors and assigns.

DESCRIPTION OF THE SUBORDINATED NOTES

Set forth below is a description of the general terms of the subordinated notes. The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the subordinated note indenture to be entered into between us and the trustee as named in the Subordinated Note Indenture (the Subordinated Note Indenture Trustee), as to be supplemented by a supplemental indenture to the subordinated note indenture establishing the subordinated notes of each series (the subordinated note indenture, as so supplemented, is referred to as the Subordinated Note Indenture), the forms of which are filed as exhibits to the Registration Statement of which this prospectus forms a part. The terms of the subordinated notes will include those stated in the Subordinated Note Indenture and those made a part of the Subordinated Note Indenture by reference to the 1939 Act. Certain capitalized terms used in this prospectus are defined in the Subordinated Note Indenture.

General

The subordinated notes will be issued as unsecured junior subordinated debt securities under the Subordinated Note Indenture. The Subordinated Note Indenture does not limit the aggregate principal amount of subordinated notes that may be issued under the Subordinated Note Indenture and provides that subordinated notes may be issued from time to time in one or more series pursuant to an indenture supplemental to the Subordinated Note Indenture. The Subordinated Note Indenture gives us the ability to reopen a previous issue of subordinated notes and issue additional subordinated notes of such series, unless otherwise provided.

Provisions of a Particular Series

The prospectus supplement applicable to each series of subordinated notes will specify, among other things:

the title of such subordinated notes;

any limit on the aggregate principal amount of such subordinated notes;

the date or dates on which the principal of such subordinated notes is payable;

the rate or rates at which such subordinated notes shall bear interest, if any, or any method by which such rate or rates will be determined, the date or dates from which such interest will accrue, the interest payment dates on which such interest shall be payable, and the regular record date for the interest payable on any interest payment date;

the place or places where the principal of (and premium, if any) and interest, if any, on such subordinated notes shall be payable;

the period or periods within which, the price or prices at which and the terms and conditions on which such subordinated notes may be redeemed, in whole or in part, at the option of the Company or at the option of the holder prior to their maturity;

the obligation, if any, of the Company to redeem or purchase such subordinated notes;

the date or dates, if any, after which such subordinated notes may be converted or exchanged at the option of the holder into or for shares of our Common Stock and the terms for any such conversion or exchange;

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the denominations in which such subordinated notes shall be issuable;

if other than the principal amount of the subordinated notes, the portion of the principal amount of such subordinated notes which shall be payable upon declaration of acceleration of the maturity of such subordinated notes;

any deletions from, modifications of or additions to the Events of Default or covenants of the Company as provided in the Subordinated Note Indenture pertaining to such subordinated notes;

whether such subordinated notes shall be issued in whole or in part in the form of a Global Security;

the right, if any, of the Company to extend the interest payment periods of such subordinated notes; and

any other terms of such subordinated notes.

The Subordinated Note Indenture does not contain provisions that afford holders of subordinated notes protection in the event of a highly leveraged transaction involving the Company.

Registration and Transfer

We shall not be required to (i) issue, register the transfer of or exchange subordinated notes of any series during a period of 15 days immediately preceding the date notice is given identifying the subordinated notes of such series called for redemption, or (ii) issue, register the transfer of or exchange any subordinated notes so selected for redemption, in whole or in part, except the unredeemed portion of any subordinated note being redeemed in part.

Payment and Paying Agent

Unless otherwise indicated in an applicable prospectus supplement, payment of principal of any subordinated notes will be made only against surrender to the Paying Agent of such subordinated notes. Principal of and interest on subordinated notes will be payable, subject to any applicable laws and regulations, at the office of such Paying Agent or Paying Agents as we may designate from time to time, except that, at our option, payment of any interest may be made by wire transfer or by check mailed to the address of the person entitled to an interest payment as such address shall appear in the Security Register with respect to the subordinated notes. Payment of interest on subordinated notes on any interest payment date will be made to the person in whose name the subordinated notes (or predecessor security) are registered at the close of business on the record date for such interest payment.

Unless otherwise indicated in an applicable prospectus supplement, the Subordinated Note Indenture Trustee will act as Paying Agent with respect to the subordinated notes. The Company may at any time designate additional Paying Agents or rescind the designation of any Paying Agents or approve a change in the office through which any Paying Agent acts.

All moneys paid by the Company to a Paying Agent for the payment of the principal of or interest on the subordinated notes of any series which remain unclaimed at the end of two years after such principal or interest shall have become due and payable will be repaid to the Company, and the holder of such subordinated notes will from that time forward look only to the Company for payment of such principal and interest.

Consolidation, Merger and Sale

We shall not consolidate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any person, unless:

such other corporation or person is a corporation organized and existing under the laws of the United States, any state of the United States or the District of Columbia and such other corporation or person expressly assumes, by supplemental indenture executed and delivered to the Subordinated Note Indenture Trustee, the payment of the principal of (and premium, if any) and interest (including Additional Interest) on all the subordinated notes and the performance of every covenant of the Subordinated Note Indenture on the part of the Company to be performed or observed;

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immediately after giving effect to such transactions, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and

the Company has delivered to the Subordinated Note Indenture Trustee an officers certificate and an opinion of counsel, each stating that such transaction complies with the provisions of the Subordinated Note Indenture governing consolidation, merger, conveyance, transfer or lease and that all conditions precedent to the transaction have been complied with.

Subordination

The subordinated notes are subordinated and junior in right of payment to all Senior Indebtedness (as defined below) of the Company. No payment of principal of (including redemption payments, if any), or premium, if any, or interest on (including Additional Interest (as defined below)) the subordinated notes may be made if:

any Senior Indebtedness is not paid when due and any applicable grace period with respect to such default has ended with such default not being cured or waived or otherwise ceasing to exist; or

the maturity of any Senior Indebtedness has been accelerated because of a default; or

notice has been given of the exercise of an option to require repayment, mandatory payment or prepayment or otherwise.

Upon any payment or distribution of our assets to creditors upon any liquidation, dissolution, winding-up, reorganization, assignment for the benefit of creditors, marshalling of assets or liabilities, or any bankruptcy, insolvency or similar proceedings of the Company, the holders of Senior Indebtedness shall be entitled to receive payment in full of all amounts due or to become due on or in respect of all Senior Indebtedness before the holders of the subordinated notes are entitled to receive or retain any payment or distribution. Subject to the prior payment of all Senior Indebtedness, the rights of the holders of the subordinated notes will be subrogated to the rights of the holders of Senior Indebtedness to receive payments and distributions applicable to such Senior Indebtedness until all amounts owing on the subordinated notes are paid in full.

The term Senior Indebtedness means, with respect to us:

any payment due in respect of our indebtedness, whether outstanding at the date of execution of the Subordinated Note Indenture or incurred, created or assumed after such date, (a) in respect of money borrowed (including any financial derivative, hedging or futures contract or similar instrument) and (b) evidenced by securities, debentures, bonds, notes or other similar instruments issued by us that, by their terms, are senior or senior subordinated debt securities including, without limitation, all such obligations under its indentures with various trustees;

all capital lease obligations;

all obligations issued or assumed as the deferred purchase price of	12,274	—	12,274
Common stock of Cincinnati Bell Inc.			

Total assets	\$ 263,299	\$44,699	\$-307,998
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at fair
value

(3) Interest in Master Trust

At December 30, 2016 and 2015, the Plan's assets were held by the Master Trust. The Master Trust holds only the assets of the Plan and the Cincinnati Bell Retirement Savings Plan, an additional plan sponsored by the Company. The purpose of the Master Trust is the collective investment of assets of the Plan and the Cincinnati Bell Retirement Savings Plan (collectively, the "Savings Plans"). Master Trust assets are allocated to the Savings Plans by assigning to each plan those transactions (primarily contributions and benefit payments) which can be specifically identified to that Savings Plan. When applicable, net investment income, gains and losses, and expenses resulting from the collective investment of the assets are allocated to the Savings Plans in proportion to the fair value of the assets allocated to the Savings Plans.

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NOTES TO FINANCIAL STATEMENTS

The following table presents the fair value of the total net assets held by the Master Trust and the the Plan's divided interest in the Master Trust at December 30, 2016 and 2015:

(dollars in thousands)	December 30, 2016		December 30, 2015	
	Master Trust Balances	Plan's Interest in Master Trust Balances	Master Trust Balances	Plan's Interest in Master Trust Balances
Mutual funds	\$275,977	\$67,997	\$251,025	\$62,672
Common collective trust funds	47,062	12,775	44,699	13,101
Common shares of Cincinnati Bell Inc.	13,972	5,553	12,274	5,090
Total investments at fair value	337,011	86,325	307,998	80,863
Plus:				
Loans to participants	7,590	2,563	7,394	2,367
Total net assets at fair value	\$344,601	\$88,888	\$315,392	\$83,230

During the plan year ended December 30, 2016, realized and unrealized gains and interest and dividends on investments held by the Master Trust and the Plan were as follows:

(dollars in thousands)	Gain on Investments		Interest and Dividends
	Realized	Unrealized	
Investments held by the Master Trust	\$1,700	\$11,905	\$11,823
Plan's interest in investments held by the Master Trust	\$515	\$2,945	\$3,042

(4) Amendment or Termination of the Plan

While the Company has not expressed any intent to terminate the Plan and subject to collective bargaining requirements under applicable law, it reserves the right to amend or terminate the Plan at any time. In the event of the termination of the Plan, all affected participants' accounts would become 100% vested.

(5) Tax Status

The IRS issued on December 30, 2011, a favorable determination that the Plan meets the requirements of Section 401(a) of the Code and is exempt from federal income taxes under Section 501(a) of the Code. The Company filed an application for a continued determination of the Plan with the IRS on January 29, 2016. Although the Company has not received a response from the IRS, the Plan administrator and the Plan's tax counsel believe that the Plan is designed, and is currently being operated, in compliance with the applicable requirements of the Code and, therefore, believe that the Plan is qualified, and the related trust is tax-exempt.

(6) Related Party Transactions

The Plan invests in the Master Trust, and the Master Trust's investments include shares of Cincinnati Bell Inc. common stock and shares of mutual funds managed by Fidelity. Cincinnati Bell is the sponsor and administrator of the Plan, and Fidelity is the Plan's trustee. Therefore, these investments qualify as party-in-interest transactions. Fees paid by the Plan to these parties-in-interest for the plan year were \$13,609.

The amount of common stock of Cincinnati Bell Inc. held in the Master Trust for the Plan was 248,390 and 283,481 shares with a cost basis of \$5,598,092 and \$6,399,723 at December 30, 2016 and 2015, respectively. In October 2016, the Company filed an amendment to its Amended and Restated Articles of Incorporation to affect a one-for-five reverse split of its issued common stock (the "Reverse Split"). The number of Cincinnati Bell Inc. common stock

shares held by the Master Trust in 2015 have been adjusted to reflect the Reverse Split.

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CINCINNATI BELL INC. SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS

(7) Concentrations, Risks, and Uncertainties

The Master Trust has a significant concentration of investments in Cincinnati Bell Inc. common stock. A change in the value of the stock could cause the value of the Plan's net assets to change significantly due to this concentration. The Plan provides for various investment options in money market funds, mutual funds, commingled funds, and Cincinnati Bell Inc. common stock. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and those changes could materially affect the amounts reported in the Statements of Net Assets Available for Plan Benefits.

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CINCINNATI BELL INC. SAVINGS AND SECURITY PLAN
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
DECEMBER 30, 2016
FORM 5500 SCHEDULE H (FORM 5500)
EIN 31-1056105
PLAN NUMBER - 004
(Dollars in thousands)

Issuer	Description of Investment	Current Value
	Participant loans* 6 to 60 months (4.3% - 4.5%)	\$2,563

* Party-in-interest

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

SAVINGS
AND
SECURITY
PLAN
By:
Cincinnati
Bell Inc.

June 27, 2017 /s/ Sarah E.
Simpson
By: Sarah E.
Simpson
Employees'
Benefit
Committee

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EXHIBIT INDEX

Exhibit
Number Description

23.1 Consent of Independent Registered Public Accounting Firm - Barnes, Dennig & Co., LTD

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