

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

For the fiscal year ended December 31, 1998

OR

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

For the transition period from _____ to _____

Commission file number 1-4379

CONVERGYS CORPORATION

An Ohio
Corporation

I.R.S. Employer
No. 31-1598292

45202 201 East Fourth Street, Cincinnati, Ohio

Telephone Number 513 723-7000

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

Title of each class -----	Name of each exchange on which registered -----
Common Shares (no par value) Exchange	New York Stock
Series A Preferred Share Purchase Rights Exchange	New York Stock

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

At February 26, 1999, there were 152,117,096 common shares outstanding.

At February 26, 1999, the aggregate market value of the voting shares
owned by non-affiliates was \$2,597,694,823.

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not

contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

DOCUMENTS INCORPORATED BY REFERENCE

- (1) Portions of the registrant's annual report to security holders for the fiscal year ended December 31, 1998 (Parts I, II and IV)
- (2) Portions of the registrant's definitive proxy statement dated March 12, 1999 issued in connection with the annual meeting of shareholders (Part III)

TABLE OF CONTENTS

PART I

ITEM
PAGE

1.	Business.....	1
2.	Properties.....	13
3.	Legal Proceedings.....	13
4.	Submission of Matters to a Vote of the Security Holders.....	13

PART II

5.	Market for the Registrant's Common Equity and Related Security Holder Matters.....	16
6.	Selected Financial Data.....	16
7.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	16
7a.	Quantitative and Qualitative Disclosure about Market Risk.....	16
8.	Financial Statements and Supplementary Data.....	16
9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....	16

PART III

10.	Directors and Executive Officers of Registrant.....	16
11.	Executive Compensation.....	16
12.	Security Ownership of Certain Beneficial Owners and Management...	16
13.	Certain Relationships and Related Transactions.....	16

PART IV

14.	Exhibits, Financial Statement Schedule, and Reports on Form 8-K..	17
-----	---	----

See page 14 for Executive Officers of the Registrant.

**PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995
SAFE HARBOR CAUTIONARY STATEMENT**

This report and the documents incorporated by reference herein contain "forward-looking" statements, as defined in the Private Securities Litigation Reform Act of 1995, that are based on current expectations, estimates and projections. Statements that are not historical facts, including statements about the beliefs and expectations of Convergys Corporation (the Company) are forward-looking statements. These statements discuss potential risks and uncertainties and, therefore, actual results may differ materially. 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. The Company undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Important factors that may affect these projections or expectations include, but are not limited to: changes in the overall economy; changes in competition in markets in which the Company operates; changes in the regulatory environment in which the Company's customers operate; changes in the demand for the Company's services; failure of the Company to achieve Year 2000 compliance; and consolidation within the industries in which the Company's customers operate.

PART I

ITEM I. BUSINESS

GENERAL

Convergys Corporation (the Company) is a leading provider of outsourced information and customer management solutions. The Company focuses on developing long-term strategic relationships with clients in customer-intensive industries including telecommunications, cable, cable telephony, satellite broadcasting, Internet services, utilities, technology, financial services, consumer products, healthcare and direct marketing. The breadth of the Company's service offerings enables it to serve as the interface for all phases of a client's billing or customer management needs. By providing value-added solutions through long-term relationships, the Company has developed a large base of recurring revenues with its largest clients.

The Company serves its client base through its two operating subsidiaries: (i) Information Management Group (IMG), which provides outsourced billing and information services; and (ii) Customer Management Group (CMG), which provides outsourced marketing and customer support services to large companies. For certain clients, IMG and CMG jointly provide a full range of billing and customer management solutions. The Company's strategy is to more fully integrate the strengths of IMG and CMG to provide next generation customer management solutions -- customer relationship management.

Historically, the business of the Company was conducted through two subsidiaries of Cincinnati Bell Inc. (CBI), Cincinnati Bell Information Systems Inc. (CBIS) and MATRIXX Marketing Inc. (MATRIXX). Following a plan of distribution announced on April 27, 1998, the Company was formed as a wholly-owned subsidiary of CBI on May 8, 1998. In July 1998, CBI contributed the outstanding shares of CBIS and MATRIXX to the Company and CBIS and MATRIXX became the IMG and CMG, respectively. CBI also contributed to the Company its 45% limited partnership interest in a cellular communications services provider in southwestern Ohio and northern Kentucky (the Cellular Partnership). On August 13, 1998 approximately 10% of the common shares of the Company were issued to the public and on December 31, 1998, the remaining shares held by CBI were distributed to CBI shareowners.

The Company is incorporated under the laws of Ohio and has its principal executive offices at 201 East Fourth Street, Cincinnati, Ohio 45202 (telephone number (513) 723-7000.)

INDUSTRY OVERVIEW

Due to a broad combination of factors, including advances in technology, globalization and deregulation, many markets are experiencing increased competition. As a result, billing and customer management solutions, which utilize software based information processing systems and services to identify, attract and retain customers, have become a strategic imperative for companies seeking to remain competitive. Technological advances, such as relational databases and predictive behavior software, are making it possible for companies to analyze their customers' behavior and design products or marketing programs which address specific customer needs or tendencies. Convergys is the only company in its industry to realize the value of combining and customizing billing and customer service operations to provide end-to-end solutions that deliver true competitive advantage for its clients. In addition, particularly in highly competitive industries such as telecommunications, it is critical to have robust systems and software that enable companies to respond rapidly to changes in the market. However, such system requirements are increasing the costs and complexity of maintaining in-house billing and customer management systems. Additionally, with rapid technological change, companies are facing increased pressure to either invest heavily in technology or seek an outsourcing solution to deliver high quality billing and customer management. Many companies lack the in-house expertise to efficiently collect, analyze and respond to the types of information that can be captured with each customer interaction, which has resulted in outsourcing of billing and customer management solutions as a strategic management tool.

The Company believes that the growth of customer management outsourcing will continue as companies focus on their core competencies and seek to benefit from the advantages that outsourcing companies can provide, including: (i) expertise to target, acquire and retain customers effectively; (ii) cost savings resulting from economies of scale achieved by operating large data processing facilities or customer service centers; (iii) technologically advanced systems and software which enable rapid competitive response; and (iv) improved time-to-market for new products, services or marketing programs.

COMPETITIVE STRENGTHS

The Company believes that it has developed strengths that position it to compete effectively for outsourcing opportunities. These competitive strengths include its:

FOCUS ON STRATEGIC RELATIONSHIPS WITH TARGETED INDUSTRY LEADERS

The Company has developed strategic relationships with leading companies in the telecommunications, technology, financial services and consumer product industries. Such relationships have enabled the Company to become an integral component of its clients' customer management processes, often including participation in the clients' internal planning and operating meetings. Long-term strategic relationships enable the Company to grow as its clients grow, develop significant industry-specific expertise and establish recurring revenue streams. The Company's success in establishing these strategic relationships is reflected in the nature of its relationships with its major clients. IMG's top seven clients, with relationships averaging over ten years, each provided at least \$24 million in revenues in 1998. CMG's top ten clients, with relationships averaging over six years, each provided at least \$13 million in revenues in 1998.

BREADTH OF VALUE-ADDED SERVICES

The Company provides a broad array of information and customer management services including dedicated customer service, technical support, sales account management and high volume consumer response, coupled with support services such as market research, database management, interactive voice response and Internet capabilities. By bundling these capabilities, the Company can serve as a single source solution for the entire range of a client's billing and customer management needs. The Company attempts to differentiate itself by providing best in class performance in each of these areas and addressing the most complex billing and customer management needs.

SIZE AND SCALE TO DELIVER COST-EFFECTIVE SOLUTIONS AND HANDLE LARGE PROGRAMS

As the leading provider of outsourced information and customer management solutions in North America, the Company leverages its purchasing power and spreads its significant research and development expenditures over a large client base, thereby enabling it to develop and deliver cost-effective solutions. Today its data centers produce over one million bills each day and the Company fields more than one million calls each day from its more than 30 call centers and approximately 16,000 workstations. The Company has the size and breadth of experience to design, develop and implement large-scale, complex information and customer management solutions that provide superior value to its clients.

TECHNOLOGICAL EXPERTISE

With approximately 2,000 software professionals, the Company can provide significant technical resources to develop customized solutions for its clients. The Company spent nearly \$82 million on existing and new technologies and systems in 1998, and intends to continue its commitment to research and development in order to enhance its ability to offer clients innovative design, development and implementation of complex, scalable customer management solutions.

GROWTH STRATEGY

The Company's growth strategy is designed to capitalize on the fundamental trends supporting billing and customer management outsourcing while leveraging the Company's competitive strengths to further its market leadership.

EXPANDING EXISTING CLIENT RELATIONSHIPS

The majority of the Company's existing clients operate in industries marked by some or all of the following trends: high growth, deregulation, converging technologies, intense competition and increasing customer service needs. The Company believes that these market trends will continue to provide significant growth opportunities with its existing client base. These clients have historically represented the bulk of the Company's internal growth. The Company's strategy is to develop long-term strategic partnerships with targeted market leaders and to expand its existing relationships as its clients continue to grow within their own markets, both domestically and internationally, outsource additional customer management functions and develop new products and services to take to existing and new markets. Additionally, there are opportunities to cross-sell IMG and CMG solutions to clients, as well as opportunities to sell multiple services to multiple divisions within each client.

LEVERAGING INDUSTRY EXPERIENCE TO DEVELOP NEW RELATIONSHIPS

By focusing on long-term strategic relationships within targeted industries, the Company has

developed industry expertise and an in-depth understanding of the customer management needs of companies serving those industries. The Company focuses on developing additional relationships in its targeted industries, particularly with companies that have large in-house billing or call center operations or are pursuing additional opportunities as certain markets converge (such as communications and broadband services). The Company believes that the combination of its industry expertise, size and technology position it to compete effectively for these new outsourcing opportunities.

DEVELOPING NEW SOLUTIONS TO PROVIDE SUPERIOR VALUE

The Company's significant ongoing investment in technology is designed to increase the value of a client's information and customer management processes. In addition to continuing to advance the solutions currently offered separately by IMG and CMG, the Company is developing next generation customer management solutions that combine the software and information services capabilities of IMG with CMG's expertise in strengthening clients' relationships with their customers. This integrated approach to customer relationship management enables our clients to expand and enhance the value of their customer base.

ENTERING COMPLEMENTARY MARKETS

The Company will pursue opportunities in industries that have large customer bases and, as a result of deregulation or new technologies, will require greater focus on billing and customer management. For example, the Company believes that deregulation, which led to substantially increased competition in the telecommunications sector, is likely to have a similar effect on the utility industry and will create opportunities for outsourced customer management services. In December 1998, IMG announced its plans to provide comprehensive, outsourced billing and customer care solutions to the utilities and energy services market.

PURSUING INTERNATIONAL GROWTH

The Company presently provides its billing and customer management solutions in selected international markets and believes significant growth opportunities exist outside North America. The Company intends to leverage its relationships with large international companies. The Company believes that these clients will be better served by a single provider capable of delivering information and customer management solutions in multiple geographic markets. In addition, the Company intends to expand its client base outside North America.

PURSUING STRATEGIC ACQUISITIONS AND ALLIANCES

Building upon a history of growth through acquisitions (26 acquisitions in the past thirteen years), the Company will pursue additional acquisition and alliance opportunities. The Company believes that consolidation in its industry will continue and the Company expects to pursue acquisitions and alliances that expand its client base, add new capabilities or enable it to accelerate international expansion. In the first quarter of 1998, the Company acquired American Transtech, Inc. and the Canadian assets of AT&T's Canadian customer care business (Transtech) from AT&T. Associated with this acquisition, the Company entered into an eight-year contract to provide customer care, sales management, and technical support services for both business and residential customers.

PRODUCTS AND SERVICES

IMG

4

IMG serves clients principally by providing and managing complex billing and information services primarily delivered through IMG data centers. IMG's billing solutions address all segments of the communications industry, including wireless, wireline, cable, broadband and Internet services. These solutions consist of data processing services, professional and consulting services and licensed software. IMG software and data processing capabilities enable it to activate services, capture usage information, calculate billing charges, consolidate billing for multiple service or equipment features and enable clients to use such data to target customers for new or expanded service or product offerings. IMG's professional and consulting services include its customization of software at its clients' requests to create, modify and enhance billing and other related customer support solutions. On a more limited basis, IMG also licenses its software to address the needs of those clients (mostly in the cable and broadband services market) who prefer to conduct their billing and information services in their own data centers.

During 1998, over 62% of IMG's revenues were generated from recurring monthly payments from its clients based upon the number of subscribers or bills processed by IMG. Professional and consulting services for software maintenance and enhancements, a majority of which are based on hourly fees for work performed, accounted for approximately 24% of IMG's 1998 revenues. IMG's remaining revenues resulted from licensing fees for software and other miscellaneous services.

IMG's experience and size result in significant time to market, service and cost advantages for clients. These advantages include rapid introduction of new services, predictable costs, information management expertise, access to advanced technology without high capital expenditures and a partner focused on billing and customer management solutions. IMG's leading market share in wireless bill processing is driven by its ability to develop software and systems capable of addressing the complexity of wireless billing and delivering cost-effective solutions. Billing for wireless services is extremely complex for a number of reasons including:

MULTITUDE OF PRICING PLANS--Each wireless carrier offers hundreds of pricing plans to subscribers. Those pricing plans are often tailored individually to cover peak and non-peak per minute rates and minutes of usage included in the monthly rate plan. Wireless providers demand the flexibility to be able to change subscriber rates quickly in response to competition.

ROAMING CHARGES--Wireless phone users roam between markets served by different carriers. When roaming, different rates and surcharges apply to usage. Roaming also frequently involves entering multiple tax jurisdictions and the tax rates vary by locale. Billing software must accurately determine roaming and tax charges.

ABILITY TO IMPLEMENT STRATEGIC MARKETING PROGRAMS--Competition in the wireless industry has resulted in a myriad of promotional activities that complicate billing. For example, a wireless provider may offer free wireless-to-wireless calls, free weekend calling or introductory pricing packages that lapse after a given period of time. Capturing rate plan data and applying customer usage data accurately is critical to wireless providers and their subscribers.

MULTIPLE SERVICES FOR A SUBSCRIBER--Each subscriber may utilize different features such as voice mail, call waiting, and voice activated dialing. In addition, a subscriber may utilize more than one service, such as wireless phone and paging services. The ability to consolidate such services on one monthly bill and allowing for discounting the bundle of services is increasingly viewed as a competitive requirement.

GROWTH OF WIRELESS SERVICE--The number of wireless subscribers in the U.S. has grown at an

average rate of approximately 37% over the past five years. In addition, minutes of usage per subscriber are expected to increase. As a result, wireless billing systems must have the capability to handle dynamic growth.

In addition to processing bills in its data centers, IMG performs a significant amount of professional and consulting work for certain of its clients to tailor solutions to each client's marketing objectives and regulatory requirements. For example, IMG developed real-time software that has made it possible to offer wireless service with monthly account limits to customers that otherwise might not have received credit authorization (frequently referred to in the wireless industry as pre-pay services.) The billing software enables a wireless provider to notify customers as they approach approved monthly spending limits. Subscribers then have the option of reducing usage until the next monthly period or until they make a payment, frequently over the phone with a credit card, to re-activate the limit.

IMG has leveraged its billing expertise in the wireless communications market to enter into contracts in 1998 which will grow its U.S. cable television billing market share to 30% and the Company is further expanding its billing solutions in the broadband services market. During 1997, IMG entered into a strategic relationship with Wiztec, which added billing and customer management capabilities in the direct broadcast satellite marketplaces. In March 1999, IMG increased its ownership of Wiztec to 70%. In addition, IMG has another strategic relationship to provide billing and customer management for Internet service providers.

IMG's solutions for wireline based carriers include a range of billing, information services and network management solutions. Wireline clients served by IMG in 1998 included Cincinnati Bell Telephone (CBT), and, on a more limited basis, AT&T, PTT Netherlands, Swisscom, British Telecom and Telenor.

CMG

CMG creates comprehensive, outsourced customer management solutions for its clients utilizing its advanced information systems capabilities, human resource management skills and industry experience. In 1998, approximately 79% of CMG's revenues were related to dedicated services and 21% of its revenues were related to traditional teleservices. While traditional teleservices programs require similar technological capabilities, systems scale and human resource expertise as dedicated services, they are generally short-term and require less experience within the client's industry.

CMG's dedicated services include:

CUSTOMER SERVICE--CMG handles customer contacts which range from initial product information requests to customer retention initiatives. These customer service calls involve a variety of activities including gathering and analyzing customer information; describing product features, capabilities and options; activating customer accounts or renewing service; processing a product or service sale; and resolving complaints and billing inquiries.

TECHNICAL SUPPORT--CMG answers technical support inquiries for consumers and business customers. Technical support ranges from simple product installation or operating assistance for a variety of software and hardware products to highly complex issues such as systems networking configuration or software consultation.

SALES ACCOUNT MANAGEMENT--For certain of its clients' business customers, CMG serves as a telephone based sales force that can provide more frequent and cost-effective account coverage than would be possible with a traditional in-field sales force. CMG is responsible for managing the entire customer relationship including obtaining current orders, increasing

purchase levels, introducing new products, implementing product initiatives and handling all inquiries related to products, shipments and billing.

When developing a dedicated services solution, CMG devotes significant resources to understand a client's unique customer management needs and collaborates to design a customized solution utilizing CMG's broad array of services. The solution design typically addresses the client's desired level and types of customer interaction, anticipated call volumes, personnel hiring and training requirements and technological requirements (including the interface between a client's and CMG's systems).

CMG's ability to deliver value-added solutions depends on its advanced technology platforms and human resource management expertise. Sophisticated call routing, computer telephony integration, logical call scripting and a Graphical User Interface design, interactive voice response, relational database skills, Internet capabilities and real-time call monitoring are all important elements of CMG's technology platform and permit efficient and cost-effective customer management. Large customer management solutions are labor intensive and, as a result, one of CMG's core competencies is its ability to hire, train and minimize turnover among its customer service representatives. Each customer service representative receives extensive up-front training covering general customer service skills and in-depth product or service training. Given the wide range of services provided by CMG personnel, many programs are staffed with representatives possessing specialized skills applicable to a client's industry and customer base, such as multi-lingual fluency or technological training. As the central interface for all customer interactions, CMG gathers data and by utilizing its database technology, CMG can analyze such data to provide valuable feedback to its clients, such as (i) identifying potential customers, (ii) identifying a client's most profitable customers thereby permitting targeted retention and loyalty programs, (iii) assessing usage data to enable clients to develop targeted products and services and (iv) identifying cross-selling opportunities for its clients.

CMG generally receives a fee based on staffing hours for the customer service representatives assigned to a program. Per hour charges for dedicated services are usually higher than charges for traditional teleservices due to the higher level of value-added activity associated with dedicated services. Supplemental revenues can sometimes be earned depending on service levels or achievement of certain sale targets. Additional fees are charged for service enhancements or system upgrades requested by clients. Since dedicated services require CMG to become an integral part of a client's customer management function, these services are generally provided pursuant to multi-year contracts.

INTEGRATED CUSTOMER MANAGEMENT SOLUTIONS

IMG and CMG are combining their strengths to provide next generation customer management solutions - customer relationship management. These solutions are designed to increase the lifetime value, satisfaction and loyalty of its clients' customer relationships. They utilize advanced technologies and analyze multiple sources of customer-specific information (demographics, previous purchase and service history, propensity to buy additional products and services) and provide targeted, action-oriented information to a customer service representative who can proactively contact the customer or be more effective when a customer calls.

CLIENTS

IMG

IMG generally has long-term relationships and multi-year contracts with its clients. In many cases, IMG is the client's exclusive provider of billing services or the contract requires the client to fulfill minimum annual commitments. IMG billing and customer management solutions process billing information for

monthly customer statements for approximately 30% of U.S. cellular subscribers. IMG provided customer usage data collection, rating and bill generation for nearly 70% of the U.S. PCS industry in 1998. IMG's customers include three of the largest PCS providers, Sprint PCS, PrimeCo Personal Communications and AT&T Wireless, with whom the Company has multi-year contracts. Combined, these clients serve customers in 49 of the top 50 U.S. metropolitan areas, often with more than one client serving the same metropolitan area. Over the past five years, subscriber growth in domestic wireless cellular services has averaged approximately 37% per year.

IMG has leveraged its billing expertise in the wireless communications market to grow its cable television industry billing market share to 30% during 1998, and the Company is further expanding its billing solutions in the broadband services market. IMG' solutions also support bundled telephone and entertainment services provided by cable television system operators in the U.S. and Europe.

CMG

CMG principally focuses on developing long-term strategic outsourcing relationships with large clients in the telecommunications, technology, financial services and consumer products industries. CMG focuses on clients in these industries because of the complexity of services required, the anticipated growth of their businesses and their continuing need for customer management solutions. CMG provides a full range of customer management services to clients including AT&T, Sprint PCS, DIRECTV-Registered Trademark-, American Express, Procter & Gamble and Microsoft. The Company provides technical support services to leading technology companies such as Gateway International and CISCO.

SALES AND MARKETING

The Company has a direct sales force and sales support organization of approximately 275 sales and marketing personnel, focused on the leading companies in its target industries in both North America and Europe. The Company uses a consultative approach to client sales and generally focuses its marketing efforts at the senior executive levels where decisions are made with respect to outsourcing critical billing and customer management functions. Once a client has made the decision to outsource, the Company works closely with the client to identify current and prospective needs and develop a solution, typically customized, designed to address those needs and reduce the client's capital investment and overall costs.

The Company's strategic relationships with clients are primarily conducted pursuant to multi-year contracts which vary by client and generally contain annual revenue commitments or exclusivity provisions, annual rate adjustments based upon consumer price index increases, performance benchmarks, renewal/extension options, limited termination provisions or renewal periods and exit payments in the event of an early termination.

OPERATIONS

The Company operates three data centers in Orlando and Jacksonville, Florida, and Cincinnati, Ohio, comprising approximately 150,000 square feet of space. Approximately 76,000 terminals are connected via 40 external networks to the Company's data centers. Over 400 data center operations and production support employees service the Company's data centers.

The Company's technologically advanced data centers provide twenty-four hour per day, seven days a week availability (with redundant power and communication feeds and emergency power back-up supplied by diesel generators) and are designed to withstand most environmental disasters. Over 30 million bills are processed on a monthly basis from the Company's mainframe and open systems facilities which can process over 3,400 million instructions per second (MIPS), store over 16 terabytes

(trillion bytes) of information and provide back-up capacity in the unlikely event that any one data center becomes inoperative.

The Company operates more than 30 call centers with twenty-four hours per day, seven days a week availability, averaging 66,000 square feet per center and over 16,000 available production workstations. These call centers handled more than 400 million customer calls during 1998.

The capacity of the Company's data center and call center operations coupled with the scalability of the Company's billing and customer management systems enable the Company to meet initial and on-going needs of large scale and rapidly growing projects. By employing the scale and efficiencies of common application platforms, the Company is able to provide client specific enhancements and modifications without incurring all the costs of a custom application. This allows the Company to position itself as a low cost value-added provider of billing and customer support solutions.

TECHNOLOGY, RESEARCH & DEVELOPMENT

The Company intends to continue to emphasize the design, development and deployment of scalable, customer management systems to increase its market share, both domestically and internationally. The Company intends to pursue this objective by continuing its substantial investment in expanding and enhancing its customer management solutions. During 1998, the Company spent \$81.9 million for research and development to advance the functionality, flexibility and scalability of its solutions portfolio.

The Company's Precedent 2000 billing solution employs advanced systems, client/server technology for real-time customer activations, inquiries and adjustments, call detail collection and rating, and on-demand bill processing. Its three-tier distributed processing architecture utilizes advanced technology for ease of information access, as well as an intuitive Graphical User Interface for streamlined customer service that provides quick response and resolution. The Company continues to invest research and development spending in Precedent 2000. In 1999, some of this investment will be to add Global System for Mobile (GSM) capabilities to Precedent 2000.

The Company's technical capabilities are comprehensive, ranging from OS/390 COBOL based batch processing to open systems to client/server based real-time processing applications. The Company is also investing in (i) object-oriented analysis, design and programming technologies to achieve reuse, higher quality, and faster time to market, and (ii) new development tools, such as Java, to capitalize on advancements in the software industry.

The Company's call centers employ advanced technology that integrates digital switching, intelligent call routing and tracking, proprietary workforce management systems, proprietary software systems, interactive voice response techniques, computer telephony integration and relational database management systems. This technology enables the Company to improve its call handling and personnel scheduling thereby increasing its efficiency and enhancing the quality of the services it delivers to its clients and their customers. The Company also provides services using electronic media such as e-mail and the Internet.

The Company's intellectual property consists primarily of proprietary software systems protected under copyright law and trademarks and service marks registered in the U.S. Patent and Trademark Office. The Company also has patents, granted and pending, covering certain advanced interactive voice response inventions.

PERSONNEL AND TRAINING

The Company considers its employees to be a key component of its success. Therefore, the Company is continually refining its systematic approach to hiring, training and managing qualified personnel.

The Company offers extensive training, including leadership and management seminars, for its personnel, including managers, customer service representatives and software professionals. The Company conducts extensive market, product and technology specific training for its customer service representatives designed to make them proficient in representing a specific client's products and services. In addition, the Company conducts extensive technical training for its software development staff on topics ranging from introductory systems development through application specific expertise.

COMPETITION

The industries in which the Company competes are extremely competitive. The Company's competitors include (i) existing clients and potential clients with substantial resources and the ability to provide billing and customer management solutions internally, (ii) other billing software and/or services companies such as Alltel Corporation, Amdocs, CSG Systems International, LHS Group and Saville Systems, (iii) other teleservices companies, such as APAC Teleservices Inc., SITEL Corporation, Inc., Sykes International, TeleTech Holdings, Inc. and West Teleservices Corporation and (iv) systems integration companies, such as American Management Systems, Andersen Consulting, EDS and SEMA Group. In addition, niche providers or new entrants could capture a segment of the market by developing new systems or services that could impact the Company's market potential.

The Company believes that the principal competitive factors in its industry are service quality, sales and marketing skills, the ability to develop customized solutions, cost of services and technological expertise. The Company differentiates itself from its competitors based on its size and scale, service quality, breadth of services provided, industry and client focus, financial and technical resources, cost of services and business reputation.

YEAR 2000

The Company initiated a program in 1995 to identify and address issues associated with the ability of its date-sensitive information and business systems and equipment to recognize the Year 2000 properly. Given its reliance on its information and business systems, the Company's Year 2000 efforts have primarily focused on information technology systems. The Company incurred \$29.1 million in expenses during 1998 in order to prepare for the Year 2000 and \$9.9 million in 1997. The Company estimates its Year 2000 expenses in 1999 will be in a range of \$10 to \$15 million. Approximately 40% of the Company's 1998 Year 2000 spending was paid to third-party service providers.

A steering committee chaired by the Company's Chief Executive Officer and composed of upper-level management personnel, has set the direction for, and monitored the activity of, Convergys' Year 2000 Program Management Office. The Program Management Office's responsibility is to make Convergys Year 2000 compliant. The Program Management Office is also communicating with vendors and clients with which the Company's systems interface or upon whom the Company's systems rely to determine their progress toward Year 2000 compliance. Additionally, senior management reports on the Company's progress toward Year 2000 compliance at each meeting of the Company's Board of Directors.

IMG has adopted a repair strategy to modify its existing systems for the Year 2000. IMG's assessment, remediation and testing phases of the project are substantially complete and IMG is in the process of completing implementation procedures. IMG's goal is for data centers, software and other information technology systems to be Year 2000 compliant and tested by June 30, 1999.

CMG has also adopted a strategy that includes both repair and replacement of current systems. CMG

has completed the assessment and remediation phases of its plan and is substantially complete with regard to systems testing. Implementation efforts are currently underway. CMG's goal is for software, telecom equipment and other information technology systems to be Year 2000 compliant and tested by June 30, 1999.

The Company maintains business continuity plans to limit disruptions to its operations. As part of its Year 2000 efforts, the Company has updated these plans to address Year 2000 issues. The Company has obtained Year 2000 compliance statements from all significant vendors. Although the Company anticipates minimal business disruption as a result of the century change, if the Company were to be unsuccessful in preparing for the Year 2000, this could have a material adverse impact on the Company. Such impact could include the inability of IMG to process bills and other transactions for its clients in a timely manner, which could lead to the incurrence of contractual penalties. Similarly, this could include disruptions to CMG's ability to handle client call volumes appropriately, which could also lead to contractual penalties. The failure of one of the Company's significant clients or vendors (in particular, utilities or telecommunication services providers) to prepare for the Year 2000 successfully could have a material adverse impact on the Company.

EMPLOYEES

The Company currently has over 33,000 employees in more than eight countries. This total includes approximately 8,000 individuals at Transtech that were previously provided by employment service agencies. During 1998, these individuals were transferred to permanent employee status. The Company believes that the impact of this movement to permanent employee status will be to improve efficiency and reduce staffing costs.

PROPERTIES

The Company leases space for offices, data centers and call centers on commercially reasonable terms. Domestic facilities are located in Arizona, California, Colorado, Florida, Georgia, Illinois, Missouri, Nebraska, North Carolina, Ohio, Oklahoma, Tennessee, Texas, Utah, Washington, Washington, D.C., and Wisconsin. International facilities are located in Brussels, Belgium, Paris, France, Bristol, London, Newcastle Upon Tyne, and Southampton, England, Winnipeg and Halifax, Canada, Bern, Switzerland, Linkoping and Stockholm, Sweden and Utrecht, The Netherlands. In addition, the Company owns its operations and data center located in Jacksonville, Florida.

The Company believes that its facilities and equipment are adequate and have sufficient productive capacity to meet its current needs.

CELLULAR TELEPHONE SERVICE LIMITED PARTNERSHIP INTEREST

The Company has a 45% limited partnership interest in the Cellular Partnership, which operates a cellular telecommunications business in central and southwestern Ohio and northern Kentucky. The population of the territory served by the Cellular Partnership is in excess of 5 million persons and the Company's proportionate share of this cellular market represents approximately 2.3 million POPs. The Company accounts for the partnership interest under the equity method of accounting. In 1998, the Company's equity in earnings of the Cellular Partnership was \$25.1 million and the Company received no distribution of Cellular Partnership earnings.

Ameritech Mobile Phone Service of Cincinnati, Inc. is the general partner and a limited partner in the Cellular Partnership with a combined partnership interest of approximately 53%; 360 Communications Investment Company has a 1.2% limited partnership interest; and GIT-Cell, Inc. has a 0.7% limited partnership interest. The Cincinnati SMSA Limited Partnership Agreement authorizes the general

partner to conduct and manage the business of the Partnership. Limited partners are entitled to their percentage share of income and cash distributions and shall meet capital calls or suffer a dilution of their interests. They may, if acting unanimously, replace a general partner who withdraws from the Cellular Partnership. All partners have the right to approve a transfer of a limited partner's Cellular Partnership interest to unaffiliated parties and have a right to purchase a limited partnership interest proposed to be transferred at the offered price.

ITEM 2. PROPERTIES

The property of the Company is principally computer and communications equipment and software that does not lend itself to description by character and location of principal units. Other property of the Company is principally buildings and leasehold improvements. The gross investment in property and equipment, and related accumulated depreciation, in millions of dollars, at December 31, 1998 was as follows:

Land		\$
6.2		
Buildings		
47.8		
Leasehold improvements		
54.3		
Equipment		
226.2		
Software		
136.2		
Construction in progress and other		
27.9		

	Total	
498.6		
Less: Accumulated depreciation		
248.8		

	Net property and equipment	\$
249.8		
=====		

IMG and CMG lease office space in various cities (see properties paragraph in Item 1. for a detailed listing) on commercially reasonable terms. Upon the expiration or termination of any such leases, these companies could obtain comparable office space. IMG also leases some of the computer hardware, computer software and office equipment necessary to conduct its business pursuant to short term leases.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF THE SECURITY HOLDERS

No matter was submitted to a vote of security holders in the fourth quarter of the fiscal year covered by this report.

EXECUTIVE OFFICERS OF THE REGISTRANT (DURING 1998)

The names, ages and positions of the executive officers of the Company are as follows:

NAME -----	AGE ----	TITLE -----
	(as of 3/31/99)	
Charles S. Mechem, Jr. (a,b)	68	Chairman of the Board
James F. Orr (a,b)	53	President and Chief Executive Officer
William D. Baskett III	59	General Counsel and Secretary
Steven G. Rolls (c)	44	Chief Financial Officer
Robert J. Marino	52	President of IMG
David F. Dougherty	43	President of CMG
Brian C. Henry IMG	42	Chief Operating Officer of
Ronald E. Schultz CMG	44	Chief Operating Officer of
Cheryl N. Campbell	50	V.P. Public Relations
Thomas A. Cruz	51	V.P. Human Resources and Administration
Robert P. Komin	36	V.P. Finance and Treasurer
Michael J. Randall IMG	57	Chief Technical Officer of
Andre S. Valentine	35	V.P. and Controller

(a) Member of the Board of Directors

(b) Member of the Executive Committee

(c) Elected Chief Financial Officer of the Company on June 1, 1998

Officers are elected annually but are removable at the discretion of the Board of Directors.

CHARLES S. MECHEM, JR., Chairman of the Board of the Company since May 8, 1998; Chairman of the Board of Cincinnati Bell Inc. (CBI) 1996-1998; Commissioner Emeritus, Ladies Professional Golf Association ("LPGA"); Commissioner of the LPGA, 1991-1995; Chairman of the United States Shoe Corporation, 1993-1995. Director of Mead Corporation, Ohio National Life Insurance Company, J.M. Smucker Company, Firststar Corporation and its subsidiary, Firststar Bank, N.A.

JAMES F. ORR, Chief Executive Officer of the Company since May 8, 1998; Chief Operating Officer of CBI, 1996-1998; Executive Vice President of CBI and President and Chief Executive Officer of IMG, 1995-1996; Chief Operating Officer of IMG, 1994.

WILLIAM D. BASKETT III, General Counsel and Secretary of the Company since May 8, 1998; General Counsel and Chief Legal Officer of CBI 1993-1998; Partner of Frost & Jacobs 1970-1997.

STEVEN G. ROLLS, Chief Financial Officer of the Company since June 1, 1998; Vice President and Controller of The BF Goodrich Company, 1993-1998; CFO of the Aerospace Segment of BF Goodrich, 1989-1993.

ROBERT J. MARINO, President of IMG since 1996; Chief Operating Officer of IMG, 1995-1996; President - Northeast Region of Nextel, 1993-1995.

DAVID F. DOUGHERTY, President of CMG since 1995; Senior Vice President and Chief Operating Officer U.S. Operations of CMG, 1993-1994.

BRIAN C. HENRY, Chief Operating Officer of IMG since April 1998; Executive Vice President and Chief Financial Officer of CBI, 1993-1998.

RONALD E. SCHULTZ, Chief Operating Officer of CMG since 1996; Managing Director of II Ventures, 1990-1994.

CHERYL N. CAMPBELL, Vice President Public Relations of the Company since May 8, 1998; Vice President of Public Relations of CBI, 1997-1998; Vice President of Corporate Communications and Public Affairs of Cincinnati Bell Telephone (CBT), 1996-1997; Vice President of Regulatory Affairs of CBT, 1995-1996; Director of Docket Management and Regulatory Affairs of CBT, 1993-1995

THOMAS A. CRUZ, Vice President Human Resources and Administration of the Company since May 8, 1998; Corporate Vice President of Human Resources and Administration of CBI, 1997-1998; Senior Vice President of Human Resources and Administration of IMG, 1993-1997.

ROBERT P. KOMIN, Vice President Finance and Treasurer of the Company since May 8, 1998; Vice President Finance and Planning of CBI, 1996-1998; Director of Finance and Planning of CBI, 1995-1996; Product Marketing Manager of Rogue Wave Software, 1994-1995.

MICHAEL J. RANDALL, Chief Technical Officer of IMG since 1996; Vice President Corporate Operations Systems of Compaq Computer Corporation, 1995-1996; Corporate Vice President Information Systems of Marion Merrell Dow, 1992-1995.

ANDRE S. VALENTINE, Vice President and Controller of the Company since September 1, 1998; Controller and Chief Accounting Officer of CBI, February 1, 1998 to September 1, 1998; Director of Corporate Accounting of CBI, 1997-1998; Business Assurance Manager at Coopers & Lybrand L.L.P., 1990-1997.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SECURITY HOLDER MATTERS.

Convergys Corporation (symbol: CVG) common shares are listed on the New York Stock Exchange. As of February 26, 1999, there were approximately 23,000 holders of record of the 152,117,096 outstanding Common Shares of the Company. The high and low sales prices of its common shares each quarter since the Company's initial public offering are listed below:

QUARTER		1ST	2ND	3RD	4TH
1998	High	\$ ---	\$ ---	\$17.438	\$23.750
	Low	\$ ---	\$ ---	\$11.375	\$ 9.625

The Company did not declare any dividends during 1998 and does not anticipate doing so in the near future.

ITEMS 6 THROUGH 8.

The Selected Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, Quantitative and Qualitative Disclosure About Market Risk and Financial Statements and Supplementary Data required by these items are included in the registrant's annual report to security holders for the fiscal year ended December 31, 1998, included in Exhibit 13 and are incorporated herein by reference pursuant to General Instruction G (2).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

No disagreements with accountants on any accounting or financial disclosure or auditing scope or procedure occurred during the period covered by this report.

PART III

ITEMS 10 THROUGH 13.

Information regarding executive officers required by Item 401 of Regulation S-K is furnished in a separate disclosure in Part I of this report under the caption Executive Officers of the Registrant since the registrant did not furnish such information in its definitive proxy statement prepared in accordance with Schedule 14A.

The other information required by these items is included in the registrant's definitive proxy statement dated March 12, 1999, in the second paragraph on page 2, the accompanying notes on page 2 and the Section 16 paragraph on page 2, the information under Election of Directors on pages 5 through 7, the information under Share Ownership of Directors and Officers on page 4, the information under Executive Compensation on pages 11 through 15. The foregoing is incorporated herein by reference pursuant to General Instruction G (3).

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) Documents filed as part of this report:

PAGE

(1) Consolidated Financial Statements:	
Report of Management.....	*
Report of Independent Accountants.....	*
Consolidated Statements of Income and Comprehensive Income.....	*
Consolidated Balance Sheets.....	*
Consolidated Statements of Cash Flows.....	*
Consolidated Statements of Shareowners' Equity.....	*
Notes to Financial Statements.....	*
(2) Financial Statement Schedules:	
Report of Independent Accountants.....	
23	
II - Valuation and Qualifying Accounts.....	
24	

Financial statements and financial statement schedules other than that listed above have been omitted because the required information is contained in the financial statements and notes thereto, or because such schedules are not required or applicable.

.....

* Incorporated herein by reference to the appropriate portions of the registrant's annual report to security holders for the fiscal year ended December 31, 1998. (See Part II)

(3) Exhibits

(Exhibits identified in parenthesis below, on file with the Securities and Exchange Commission ("SEC"), are incorporated herein by reference as exhibits hereto.

EXHIBIT NUMBER

- 3.1 Amended Articles of Incorporation of the Company. (Exhibit 3.1 to Registration Statement No. 333-53619.)
- 3.2 Regulations of the Company. (Exhibit 3.2 to Registration Statement No. 333-53619.)
- 10.1 Plan of Reorganization and Distribution Agreement by and between the Company and CBI. (Exhibit 10.1 to Registration Statement No. 333-53619.)
- 10.2 Employee Benefits Agreement by and between the Company and CBI. (Exhibit 10.2 to Registration Statement No. 333-53619.)
- 10.3 Services Agreement by and between the Company and CBI. (Exhibit 10.3 to Registration Statement No. 333-53619.)
- 10.4 Tax Separation and Allocation Agreement by and between the Company and CBI. (Exhibit 10.4 to Registration Statement No. 333-53619.)
- 10.5* Convergys Corporation 1998 Long Term Incentive Plan. (Exhibit 10.5 to Registration Statement No. 333-53619.)
- 10.5.1* December 31, 1998 Amendment to Convergys Corporation 1998 Long Term Incentive Plan.
- 10.6* Convergys Corporation Deferred Compensation Plan for Non-Employee Directors.
- 10.7* Convergys Corporation Executive Deferred Compensation Plan. (Exhibit 4.3 to Registration Statement No. 333-69633.)
- 10.7.1* January 1, 1999 Amendment to Convergys Corporation Executive Deferred Compensation Plan.
- 10.8* Employment Agreement between the Company and James F. Orr and December 16, 1998 Amendment to Employment Agreement.
- 10.9* Employment Agreement between the Company and William D. Baskett III and December 16, 1998 Amendment to Employment Agreement.

- 10.10* Employment Agreement between the Company and Steven G. Rolls and December 16, 1998 Amendment to Employment Agreement.
- 10.11* Employment Agreement between the Company and Robert J. Marino and December 16, 1998 Amendment to Employment Agreement.
- 10.12* Employment Agreement between the Company and David F. Dougherty and December 16, 1998 Amendment to Employment Agreement.
- 10.13* Convergys Corporation Employment Agreement with Brian C. Henry.
- 10.14* Convergys Corporation Employment Agreement with Ronald E. Schultz and November 1, 1998 Amendment to Employment Agreement.
- 10.15* Convergys Corporation Supplemental Executive Retirement Plan.
- 10.16* Rights Agreement dated November 30, 1998 between Convergys Corporation and The Fifth Third Bank. (Exhibit 4.1 to Form 8-A12B filed December 23, 1998, File No. 001-14379.)
- 13 Portions of the Company's annual report to security holders for the year ended December 31, 1998, as incorporated by reference including the Selected Financial Data, Report of Management, Report of Independent Accountants, Management's Discussion and Analysis and Consolidated Financial Statements.
- 21 Subsidiaries of the Company. (Exhibit 21 to Registration Statement No. 333-53619.)
- 23 Consent of PricewaterhouseCoopers LLP.
- 24 Powers of Attorney.
- 27 Financial Data Schedule.

.....

* Management contract or compensatory plan required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K.

The Company will furnish, without charge, to a security holder upon request, a copy of the documents, portions of which are incorporated by reference (Annual Report to security holders and proxy statement), and will furnish any other exhibit at cost.

(b) Reports on Form 8-K.

Form 8-K, date of report, November 24, 1998, reported the distribution ratio and record date for the previously announced distribution of Convergys from Cincinnati Bell Inc.

Form 8-K, date of report, December 4, 1998, reported the adoption of a rights agreement between Convergys and The Fifth Third Bank, as rights agent.

Form 8-K, date of report, December 31, 1998, reported the completion of the spin-off of Convergys from Cincinnati Bell Inc.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CONVERGYS CORPORATION

March 29, 1999

By /s/ STEVEN G. ROLLS

Steven G. Rolls
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

SIGNATURE DATE ----- -----	TITLE -----
JAMES F. ORR* ----- James F. Orr	Principal Executive Officer; President, Chief Executive Officer and Director
STEVEN G. ROLLS* ----- Steven G. Rolls	Principal Financial Officer; Chief Financial Officer
ANDRE S. VALENTINE* ----- Andre S. Valentine	Principal Accounting Officer; Vice President and Controller
JOHN F. BARRETT* ----- John F. Barrett	Director
JUDITH G. BOYNTON* ----- Judith G. Boynton	Director
GARY C. BUTLER* ----- Gary C. Butler	Director
ROGER L. HOWE* ----- Roger L. Howe	Director

SIGNATURE	TITLE	DATE
----- STEVEN C. MASON*	Director	-----
----- Steven C. Mason		

CHARLES S. MECHEM, JR.*	Chairman of the Board and Director	
----- Charles S. Mechem, Jr.		

JAMES F. ORR*	Director	
----- James F. Orr		

BRIAN H. ROWE*	Director	
----- Brian H. Rowe		

*By /s/ STEVEN G. ROLLS
1999

March 29,

Steven G. Rolls

as attorney-in-fact and on his behalf
as Chief Financial Officer

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Shareowners of Convergys Corporation:

Our report on the consolidated financial statements of Convergys Corporation has been incorporated by reference in this Form 10-K from page 30 of the 1998 annual report to shareholders of Convergys Corporation. In connection with our audits of such consolidated financial statements, we have also audited the related financial statement schedule on page 24 of this Form 10-K.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

*/s/ PricewaterhouseCoopers
LLP*

*PricewaterhouseCoopers LLP
Cincinnati, Ohio
February 18, 1999*

CONVERGYS CORPORATION
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(Millions of Dollars)

COL. A	COL. B	COL. C		COL. D	COL. E
(1)		(1)	(2)		
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO EXPENSE	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS	BALANCE AT END OF PERIOD

YEAR 1998					

Allowance for Doubtful Accounts	\$ 6.4	\$ 4.2	\$3.2(a)	\$ 4.0(b)	\$ 9.8
Deferred Tax Asset Valuation Allowance	\$ 21.0	---	---	---	\$21.0
Restructuring Reserve	\$ 24.9	---	---	\$11.8	\$13.1
YEAR 1997					

Allowance for Doubtful Accounts	\$ 6.5	\$ 4.5	\$0.5(a)	\$ 5.1(b)	\$ 6.4
Deferred Tax Asset Valuation Allowance	\$ 21.0	---	---	---	\$21.0
Restructuring Reserve	---	\$35.0	---	\$10.1	\$24.9
YEAR 1996					

Allowance for Doubtful Accounts	\$ 13.6	\$ 1.7	\$(5.6)(a)	\$ 3.2(b)	\$ 6.5
Deferred Tax Asset Valuation Allowance	\$ 21.0	---	---	---	\$21.0
Restructuring Reserve	---	---	---	---	---

(a) Includes amounts previously written off which were credited directly to this account when recovered, acquired reserves and other adjustments.

(b) Primarily includes amounts written off as uncollectible.

**EXHIBIT 10.5.1
TO
FORM 10-K FOR 1998**

RESOLVED, That the 1998 Long Term Incentive Plan is amended in the following respects:

Section 5.2 is amended to read as follows:

5.2 The purchase price per Common Share of options granted under the Plan shall be determined by the Committee; provided that the purchase price per Common Share of any ISO shall not be less 100% of the fair market value of a Common Share of the date the ISO is granted.

The third sentence of Section 17.2 is amended to read as follows:

The exercise price per share of each CBI Option (the "CBI Exercise Price") shall be reduced, and the exercise price per share of the associated Company Option (the "Company Exercise Price") shall be set so that (a) the sum of the CBI Exercise Price (after the reduction provided herein) and the Company Exercise Price is equal to the CBI Exercise Price (before the reduction provided herein) and (ii) the ratio of the CBI Exercise Price (after the reduction provided herein) to the Company Exercise Price is equal to the ratio of the average of the high and low per-share prices of CBI Common Shares on the New York Stock Exchange ("NYSE") on January 4, 1999 to the average of the high and low per-share prices of Common Shares on the NYSE on January 4, 1999.

Adopted by the Convergys Board of Directors January 29, 1999

**EXHIBIT 10.6
TO
FORM 10-K FOR 1998**

**CONVERGYS CORPORATION
DEFERRED COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS**

TABLE OF CONTENTS

	PAGE

SECTION 1.....NAME AND PURPOSE OF PLAN	1
SECTION 2.....GENERAL DEFINITIONS; GENDER AND NUMBER	1
SECTION 3.....DEFERRALS	2
SECTION 4.....MAINTENANCE AND VALUATION OF ACCOUNTS	3
SECTION 5.....DISTRIBUTION	4
SECTION 6.....ADMINISTRATION OF THE PLAN	6
SECTION 7.....FUNDING OBLIGATION	6
SECTION 8.....AMENDMENT AND TERMINATION	7
SECTION 9.....NON-ALIENATION OF BENEFITS	7
SECTION 10.....MISCELLANEOUS	7

CONVERGYS CORPORATION

DEFERRED COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS

SECTION 1

NAME AND PURPOSE OF PLAN

1.1 NAME. The plan set forth herein shall be known as the Convergys Corporation Deferred Compensation Plan for Non-Employee Directors (the "Plan").

1.2 PURPOSE. The purpose of the Plan is to provide deferred compensation for those members of the Board of Directors of Convergys Corporation ("Convergys") who are not employees of Convergys.

1.3 EFFECTIVE DATE. The Plan shall be effective on January 1, 1999 (the "Effective Date").

1.4 PREDECESSOR PLAN. The Plan is intended to assume and discharge all of the obligations of Cincinnati Bell Inc. ("CBI") under CBI's Deferred Compensation Plan for Outside Directors (the "CBI Plan") with respect to those members of the Board of Directors of Convergys who were participating in the CBI Plan immediately prior to the Effective Date.

SECTION 2

GENERAL DEFINITIONS; GENDER AND NUMBER

2.1 GENERAL DEFINITIONS. For purposes of the Plan, the following terms shall have the meanings hereinafter set forth unless the context otherwise requires:

2.1.1 "Account" means the Account established for a Non-Employee Director under Section 4.1.

2.1.2 "Board" means the Board of Directors of Convergys.

2.1.3 "Beneficiary" means the person or entity designated by a

Participant, on forms furnished and in the manner prescribed by the Committee, to receive any benefit payable under the Plan after the Participant's death. If a Participant fails to designate a beneficiary or if, for any reason, such designation is not effective, the Participant's "Beneficiary" shall be the Participant's surviving spouse or, if none, the Participant's estate.

2.1.4 "Convergys Shares" means common shares of Convergys.

2.1.5 "Committee" means the Compensation and Benefits Committee of the Board.

2.1.6 "Credited Service" means active service as a Non-Employee

Director, including service as a non-employee member of the CBI Board of Directors prior to the Effective Date. One year of Credited Service shall be given for each twelve full months of Credited Service, whether or not consecutive. A fraction of a year of Credited Service shall be rounded up or down to the nearest whole year.

2.1.7 "Other Fee" means any fee for Non-Employee Directors established by the Board for attending Board or committee meetings or for serving as a chair of a Board committee, but shall not include the Retainer or expense reimbursements.

2.1.8 "Other Fee Payment Date" means the date on which any Other Fee is payable to a Non-Employee Director.

2.1.9 "Non-Employee Director" means any member of the Board who is not an employee of Convergys, but shall not include any person serving as Director Emeritus.

2.1.10 "Participant" means a person who has served as a Non-Employee Director on or after the Effective Date and whose Account has not been fully paid or forfeited, as the case may be.

2.1.11 "Retainer" means the annual fee for Non-Employee Directors established by the Board, but shall not include meeting fees, fees for serving as a chair of a Board committee or expense reimbursements.

2.1.12 "Retainer Payment Date" means the quarterly dates on which the Non-Employee Directors' Retainer is paid.

2.1.13 "Valuation Date" means the last day of each calendar year and the date as of which any payment is to be made under the Plan.

2.2 GENDER AND NUMBER. For purposes of the Plan, words used in any gender shall include all other genders, words used in the singular form shall include the plural form, and words used in the plural form shall include the singular form, as the context may require.

SECTION 3

DEFERRALS

3.1 ELECTION OF DEFERRALS. Subject to such rules as the Committee may prescribe, a Non-Employee Director may elect to defer up to 100% of the Non-Employee Director's Retainer and/or Other Fees for any calendar year by completing a deferral form and filing such form with the Committee prior to January 1 of such calendar year (or such earlier date as may be prescribed by the Committee). Notwithstanding the foregoing, if a Non-Employee Director first becomes a Non-Employee Director after the first day of a calendar year, such Non-Employee Director may elect to defer up to 100% of the Non-Employee Director's Retainer and/or Other Fees for the remainder of the calendar year by completing and signing a deferral form provided by the

Committee and filing such form with the Committee within 30 days of the date on which the Non-Employee Director first becomes a Non-Employee Director. Any election under the preceding sentence shall be effective as of the first Retainer Date or Other Fee Payment Date, as the case may be, after the date the election is filed.

3.2 CHANGING DEFERRALS. Subject to such rules as the Committee may prescribe, a Non-Employee Director who has elected to defer a portion or all of any Retainer and/or Other Fee may change the amount of the deferral from one permissible amount to another, effective as of any January 1, by completing and signing a new deferral form and filing such form with the Committee prior to such January 1 (or such earlier date as may be prescribed by the Committee).

SECTION 4

MAINTENANCE AND VALUATION OF ACCOUNTS

4.1 DEFERRED COMPENSATION ACCOUNTS. A separate bookkeeping Account shall be established for each Non-Employee Director which shall reflect all amounts credited to the Non-Employee Director's Account under this Section 4.1 and the assumed investment of those amounts.

4.1.1 On each Retainer Payment Date and Other Fee Payment Date after the Effective Date, there shall be credited to each Non-Employee Director's Account the amount of the Retainer or Other Fee which the Non-Employee Director has elected to defer under Section 3.1. Amounts credited to a Non-Employee Director's Account under this Section 4.1.1 shall be assumed to be invested in such types of investments as may be permitted by the Committee.

4.1.2 In the case of a Non-Employee Director who was participating in the CBI Plan immediately prior to the Effective Date, the balance then credited to the Non-Employee Director's Account under the CBI Plan shall be transferred to the Non-Employee Director's Account under this Plan as of the Effective Date. From and after such transfer, the Non-Employee director shall cease to have any further rights under the CBI Plan. To the extent that a Non-Employee Director's CBI Plan Account was assumed to have been invested in common shares of CBI ("CBI Shares") immediately prior to the Effective Date, the Non-Employee Director's Account in this Plan shall be credited with one Convergys Share and one CBI Share (adjusted in value to reflect the Convergys Shares distributed to CBI's shareholders on the Effective Date) for each CBI Share credited to the Non-Employee Director's CBI Plan Account immediately prior to the Effective Date. Amounts credited to a Non-Employee Director's Account under this Section 4.1.2 in the form of Convergys Shares shall be assumed to be invested exclusively in Convergys Shares. Amounts credited to a Non-Employee Director's Account under this Section 4.1.2 in the form of CBI Shares shall be assumed to be invested in such types of investments as may be permitted by the Committee.

4.2 CONVERGYS SHARES. To the extent that a Participant's Account is assumed to be invested in Convergys Shares and has not been paid or forfeited, as the case may be:

4.2.1 Whenever any cash dividends are paid with respect to Convergys Shares, an additional amount shall be credited to the Participant's Account as of the dividend payment date. The additional amount to be credited to each account shall be determined by multiplying the per share cash dividend paid with respect to the Convergys Shares on the dividend payment date by the number of assumed Convergys Shares credited to the Participant's Account on the day preceding the dividend payment date. Such additional amount credited to the Account shall be assumed to be invested in additional Convergys Shares on the day on which such dividends are paid.

4.2.2 If there is any change in Convergys Shares through the declaration of a stock dividend or a stock split or through a recapitalization resulting in a stock split, or a combination or a change in shares, the number of shares assumed to be purchased for each Account shall be appropriately adjusted.

4.2.3 Whenever Convergys Shares are to be valued for purposes of the Plan, the value of each Convergys Share shall be the average of the high and low price per share as reported on the New York Stock Exchange on that date or, if no Convergys Shares were traded on that date, on the next preceding day on which Convergys Shares were traded.

4.3 VALUATION. As of each Valuation Date, each Participant's Account shall be adjusted to reflect all amounts credited to the Account since the preceding Valuation Date, any gains or losses in the value of the Account's assumed investments since the preceding Valuation Date and any payments or forfeitures occurring as of the Valuation Date.

SECTION 5

DISTRIBUTION

5.1 GENERAL. Except as otherwise provided in Section 5.5, no amount shall be paid with respect to a Participant's Account while the Participant remains a member of the Board.

5.2 TERMINATION OF SERVICE. A Participant may elect to receive the amounts credited to the Participant's Account in up to ten annual installment payments as of or commencing as of the first business day of the calendar year following the calendar year in which the Participant ceases to be a member of the Board. If a Participant fails to make such an election, the amounts credited to the Participant's Account shall be paid to the Participant in one lump sum as of the first business day of the calendar year next following the calendar year in which the Participant ceases to be a member of the Board

5.2.1. The amount of each annual installment payable under this Section 5.2 shall be a fraction of the nonforfeitable amounts credited to the Participant's Account as of the installment payment date, the numerator of which is 1 and the denominator of which is equal to the total number of installments remaining to be paid (including the installment to be paid on the subject installment payment date).

5.2.2. Any election under this Section 5.2 must be made in writing at least six months prior to the date on which the Participant ceases to be a member of the Board.

5.2.3. Notwithstanding any other provision hereof to the contrary, the right to receive payments with respect to that portion of the Participant's Account attributable to amounts credited under Section 4.1.2 shall be conditioned on the Participant completing at least five years of Credited Service prior to the date on which the Participant ceases to be a member of the Board. To the extent that a Participant has not satisfied such service requirement prior to the date on which the Participant ceases to be a member of the Board (other than by reason of death), the Participant shall not be entitled to receive any payment with respect to that portion of the Participant's Account attributable to amounts credited under Section 4.1.2 and such portion shall be forfeited as of the date on which the Participant ceases to be a member of the Board.

5.3 DEATH. If a Participant ceases to be a member of the Board by reason of death, or if a Participant dies after ceasing to be a member of the Board but before the amounts credited to the Participant's Account have been paid, the amounts credited to the Participant's Account shall be paid to the Participant's Beneficiary in one lump sum as of the first business day of the calendar year next following the calendar year in which the Participant's death occurs; provided, however, that if the Participant has elected to have the Participant's Account distributed in installments and if the Participant dies after distribution has commenced, the remaining installments shall be paid to the Beneficiary as they become due.

5.4 FORM OF PAYMENT. All payments under the Plan shall be made in cash.

5.5 CHANGE IN CONTROL. If a Change in Control of Convergys occurs, the amount credited to each Participant's Account shall be paid to the Participant in one lump sum as of the day next following the date on which such Change in Control occurs. A "Change in Control of Convergys" shall be deemed to have occurred if, on or after the Effective Date, (i) a tender offer shall be made and consummated for the ownership of 30% or more of the outstanding voting securities of Convergys; (ii) Convergys shall be merged or consolidated with another corporation and as a result of such merger or consolidation less than 75% of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the former shareholders of Convergys, other than affiliates (within the meaning of the Securities Exchange Act of 1934 (the "Act")) of any party to such merger or consolidation, as the same shall have existed immediately prior to such merger or consolidation; (iii) Convergys shall sell substantially all of its assets to another corporation which is not a wholly owned subsidiary; (iv) a person, within the meaning of Section 3 (a)(9) or of Section 13(d)(3) (as in effect on the Effective Date) of the Act, shall acquire 20% or more of the outstanding voting securities of Convergys (whether directly, indirectly, beneficially or of record), or a person, within the meaning of Section 3(a)(9) or

Section 13(d)(3) (as in effect on the Effective Date) of the Act, controls in any manner the election of a majority of the directors; or (v) within any period of two consecutive years after the Effective Date, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election of each director who was not a director at the beginning of such period has been approved in advance by directors representing at least two-thirds of the directors then in office who were directors at the beginning

of the period. For purposes hereof, ownership of voting securities shall take into account and shall include ownership as determined by applying the provisions of Rule 13d-3(d)(1)(i) (as in effect on the Effective Date) pursuant to the Act.

SECTION 6

ADMINISTRATION OF THE PLAN

6.1 GENERAL. The general administration of the Plan and the responsibility for carrying out its provisions shall be placed in the Committee.

6.2 EXPENSES. Expenses of administering the Plan shall be paid by Convergys.

6.3 COMPENSATION OF COMMITTEE. The members of the Committee shall not receive compensation for their services as such, and, except as required by law, no bond or other security need be required of them in such capacity in any jurisdiction.

6.4 RULES OF PLAN. Subject to the limitations of the Plan, the Committee may, from time to time, establish rules for the administration of the Plan and the transaction of its business. The Committee may correct errors, however arising, and as far as possible, adjust any benefit payments accordingly. The determination of the Committee as to the interpretation of the provisions of the Plan or any disputed question shall be conclusive upon all interested parties.

6.5 AGENTS AND EMPLOYEES. The Committee may authorize one or more agents to execute or deliver any instrument. The Committee may appoint or employ such agents, counsel (including counsel of Convergys), auditors (including auditors of Convergys), physicians, clerical help and actuaries as in the Committee's judgment may seem reasonable or necessary for the proper administration of the Plan.

6.6 INDEMNIFICATION. Convergys shall indemnify each member of the Committee for all expenses and liabilities (including reasonable attorney's fees) arising out of the administration of the Plan. The foregoing right of indemnification shall be in addition to any other rights to which the members of the Committee may be entitled as a matter of law.

SECTION 7

FUNDING OBLIGATION

Convergys shall have no obligation to fund, either by the purchase of Convergys Shares or by any other means, its obligations to Participants hereunder. If, however, Convergys does elect to allocate assets to provide for any such obligation, the assets allocated for such purpose shall be assets of Convergys subject to claims against Convergys, including claims of Convergys' creditors, to the same extent as are other corporate assets, and the Participants shall have no right or claim against the assets so allocated, other than as general creditors of Convergys.

SECTION 8

AMENDMENT AND TERMINATION

The Board may amend or terminate the Plan at any time; provided that no amendment shall be made or act of termination taken which adversely affects the accrued benefits of any Participant without such Participant's consent.

SECTION 9

NON-ALIENATION OF BENEFITS

No Participant or Beneficiary shall alienate, commute, anticipate, assign, pledge, encumber or dispose of the right to receive the payments required to be made by Convergys hereunder, which payments and the right to receive them are expressly declared to be nonassignable and nontransferable.

SECTION 10

MISCELLANEOUS

10.1 DELEGATION. The Committee may delegate to any person or committee certain of its rights and duties hereunder. Any such delegation shall be valid and binding on all persons and the person or committee to whom or which authority is delegated shall have full power to act in all matters so delegated until the authority expires by its terms or is revoked by the Committee, as the case may be.

10.2 APPLICABLE LAW. The Plan shall be governed by applicable federal law and, to the extent not preempted by applicable federal law, the laws of the State of Ohio.

10.3 SEPARABILITY OF PROVISIONS. If any provision of the Plan is held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provisions had not been included.

10.4 HEADINGS. Headings used throughout the Plan are for convenience only and shall not be given legal significance.

10.5 COUNTERPARTS. The Plan may be executed in any number of counterparts, each of which shall be deemed an original. All counterparts shall constitute one and the same instrument, which shall be sufficiently evidenced by any one thereof.

IN WITNESS WHEREOF, Convergys Corporation has caused its name to be subscribed on the ____ day of _____, 1998.

CONVERGYS CORPORATION

By _____

**AMENDMENT TO
CONVERGYS CORPORATION
EXECUTIVE DEFERRED COMPENSATION PLAN**

Convergys Corporation Executive Deferred Compensation Plan is hereby amended effective January 1, 1999 in the following respects:

1. The second sentence of Section 3.4 is amended to read as follows:

For purposes of the preceding sentence, "Total Compensation" means the total Base Salary and Cash Awards paid to the Key Employee on a Deferral Date or which would have been paid to the Key Employee on the Deferral Date if he had not participated in a 401 (k) plan or cafeteria plan and "Maximum 401 (m) Match" means the maximum Convergys Entity match which would have been made for the Key Employee on the Deferral Date under the Convergys Corporation Retirement and Savings Plan (the "RSP") if the Key Employee had elected to contribute 6% of his non-deferred compensation to the RSP on a pre-tax basis (not in excess of the maximum dollar amount permitted under the terms of the RSP).

2. The last sentence of Section 5.2.4 is amended to read as follows:

The provisions of this Section 5.2.4 shall not apply to amounts credited to the Restricted Stock Account under Section 4.6.1 or 4.6.2.

IN WITNESS WHEREOF, Convergys Corporation has caused its name to be subscribed on the 28th day of January, 1999.

CONVERGYS CORPORATION

By

**EXHIBIT 10.8
TO
FORM 10-K FOR 1998**

EMPLOYMENT AGREEMENT

This Agreement is made as of the Effective Date between Convergys Corporation, an Ohio corporation ("Employer"), and James F. Orr ("Employee"). For purposes of this Agreement, "Effective Date" means the date on which the initial public offering of Employer's common shares is closed.

Employer and Employee agree as follows:

1. **EMPLOYMENT.** By this Agreement, Employer and Employee set forth the terms of Employer's employment of Employee on and after the Effective Date. Any prior agreements or understandings with respect to Employee's employment by Employer, including Employee's Employment Agreement with Cincinnati Bell Inc. dated August 19, 1994, are canceled as of the Effective Date.
2. **TERM OF AGREEMENT.** The term of this Agreement initially shall be the four year period commencing on the Effective Date. On the third anniversary of the Effective Date and on each subsequent anniversary of the Effective Date, the term of this Agreement automatically shall be extended for a period of one additional year. Notwithstanding the foregoing, the term of this Agreement is subject to termination as provided in Section 13.
3. **DUTIES.**
 - A. Employee will serve as President and Chief Executive Officer of Employer or in such other equivalent capacity as may be designated by the Board of Directors of Employer. Employee will report to the Board of Directors of Employer.
 - B. Employee shall furnish such managerial, executive, financial, technical, and other skills, advice, and assistance in operating Employer and its Affiliates as Employer may reasonably request. For purposes of this Agreement, "Affiliate" means each corporation which is a member of a controlled group of corporations (within the meaning of section 1563(a) of the Internal Revenue Code of 1986, as amended (the "Code")) which includes Employer.
 - C. Employee shall also perform such other duties as are reasonably assigned to Employee by the Board of Directors of Employer.
 - D. Employee shall devote Employee's entire time, attention, and energies to the

business of Employer and its Affiliates. The words "entire time, attention, and energies" are intended to mean that Employee shall devote Employee's full effort during reasonable working hours to the business of Employer and its Affiliates and shall devote at least 40 hours per week to the business of Employer and its Affiliates. Employee shall travel to such places as are necessary in the performance of Employee's duties.

4. COMPENSATION.

A. Employee shall receive a base salary (the "Base Salary") of at least \$660,000 per year, payable not less frequently than monthly, for each year during the term of this Agreement, subject to proration for any partial year. Such Base Salary, and all other amounts payable under this Agreement, shall be subject to withholding as required by law.

B. In addition to the Base Salary, Employee shall be entitled to receive an annual bonus (the "Bonus") for each calendar year for which services are performed under this Agreement. Any Bonus for a calendar year shall be payable after the conclusion of the calendar year in accordance with Employer's regular bonus payment policies. Each year, Employee shall be given a Bonus target, by Employer's Compensation Committee, of not less than \$429,000, subject to proration for a partial year.

C. On at least an annual basis, Employee shall receive a formal performance review and be considered for Base Salary and/or Bonus target increases.

5. EXPENSES. All reasonable and necessary expenses incurred by Employee in the course of the performance of Employee's duties to Employer shall be reimbursable in accordance with Employer's then current travel and expense policies.

6. BENEFITS.

A. While Employee remains in the employ of Employer, Employee shall be entitled to participate in all of the various employee benefit plans and programs, or equivalent plans and programs, set forth in Attachment B.

B. Notwithstanding anything contained herein to the contrary, the Base Salary and Bonuses otherwise payable to Employee shall be reduced by any benefits paid to Employee by Employer under any disability plans made available to Employee by Employer.

C. As of the Effective Date, Employee shall be granted options to purchase 350,000 common shares of Employer under Employer's 1998 Long Term Incentive Plan. In each year of this Agreement after 1998, Employee will be granted stock options under Employer's 1998 Long Term Incentive Plan or any similar plan made available to employees of Employer.

D. As of the Effective Date, Employee shall receive a restricted stock award of 150,000 common shares of Employer. Such award shall be made under Employer's 1998 Long Term Incentive Plan on the terms set forth in Attachment A.

E. In each year of this Agreement after 1998, Employee will be given a long term incentive target under Employer's 1998 Long Term Incentive Plan. In no event will the value of Executive's long term incentives (stock options and performance share targets) for any year, as determined by Employer's Compensation Committee, be less than \$1,353,000.

F. As long as Employee remains employed under this Agreement, Employee shall be entitled to participate in Employer's Pension Program.

7. CONFIDENTIALITY. Employer and its Affiliates are engaged in the outsourced customer care industry within the U.S. and world wide. Employee acknowledges that in the course of employment with the Employer, Employee will be entrusted with or obtain access to information proprietary to the Employer and its Affiliates with respect to the following (all of which information is referred to hereinafter collectively as the "Information"); the organization and management of Employer and its Affiliates; the names, addresses, buying habits, and other special information regarding past, present and potential customers, employees and suppliers of Employer and its Affiliates; customer and supplier contracts and transactions or price lists of Employer, its Affiliates and their suppliers; products, services, programs and processes sold, licensed or developed by the Employer or its Affiliates; technical data, plans and specifications, present and/or future development projects of Employer and its Affiliates; financial and/or marketing data respecting the conduct of the present or future phases of business of Employer and its Affiliates; computer programs, systems and/or software; ideas, inventions, trademarks, business information, know-how, processes, improvements, designs, redesigns, discoveries and developments of Employer and its Affiliates; and other information considered confidential by any of the Employer, its Affiliates or customers or suppliers of Employer, its Affiliates. Employee agrees to retain the Information in absolute confidence and not to disclose the Information to any person or organization except as required in the performance of Employee's duties for Employer, without the express written consent of Employer; provided that Employee's obligation of confidentiality shall not extend to any Information which becomes generally available to the public other than as a result of disclosure by Employee.

8. NEW DEVELOPMENTS. All ideas, inventions, discoveries, concepts, trademarks, or other developments or improvements, whether patentable or not, conceived by the Employee, alone or with others, at any time during the term of Employee's employment, whether or not during working hours or on Employer's premises, which are within the scope of or related to the business operations of Employer or its Affiliates ("New Developments"), shall be and remain the exclusive property of Employer. Employee shall do all things reasonably necessary to ensure ownership of such New Developments by Employer, including the execution of documents assigning and transferring to Employer, all of Employee's rights, title and interest in and to such New Developments, and the execution of all documents required to enable Employer to file and obtain patents, trademarks, and copyrights in the United States and foreign countries on any of such New Developments.

9. SURRENDER OF MATERIAL UPON TERMINATION. Employee hereby agrees that upon cessation of Employee's employment, for whatever reason and whether voluntary or involuntary, Employee

will immediately surrender to Employer all of the property and other things of value in his possession or in the possession of any person or entity under Employee's control that are the property of Employer or any of its Affiliates, including without any limitation all personal notes, drawings, manuals, documents, photographs, or the like, including copies and derivatives thereof, relating directly or indirectly to any confidential information or materials or New Developments, or relating directly or indirectly to the business of Employer or any of its Affiliates.

10. REMEDIES.

A. Employer and Employee hereby acknowledge and agree that the services rendered by Employee to Employer, the information disclosed to Employee during and by virtue of Employee's employment, and Employee's commitments and obligations to Employer and its Affiliates herein are of a special, unique and extraordinary character, and that the breach of any provision of this Agreement by Employee will cause Employer irreparable injury and damage, and consequently the Employer shall be entitled to, in addition to all other remedies available to it, injunctive and equitable relief to prevent a breach of Sections 7, 8, 9, 11 and 12 of this Agreement and to secure the enforcement of this Agreement.

B. Except as provided in Section 10.A., the parties agree to submit to final and binding arbitration any dispute, claim or controversy, whether for breach of this Agreement or for violation of any of Employee's statutorily created or protected rights, arising between the parties that either party would have been otherwise entitled to file or pursue in court or before any administrative agency (herein "claim"), and waives all right to sue the other party.

(i) This agreement to arbitrate and any resulting arbitration award are enforceable under and subject to the Federal Arbitration Act, 9 U.S.C. Section 1 et seq. ("FAA"). If the FAA is held not to apply for any reason then Ohio Revised Code Chapter 2711 regarding the enforceability of arbitration agreements and awards will govern this Agreement and the arbitration award.

(ii) (a) All of a party's claims must be presented at a single arbitration hearing. Any claim not raised at the arbitration hearing is waived and released. The arbitration hearing will take place in Cincinnati, Ohio.

(b) The arbitration process will be governed by the Employment Dispute Resolution Rules of the American Arbitration Association ("AAA") except to the extent they are modified by this Agreement.

(c) Employee has had an opportunity to review the AAA rules and the requirements that Employee must pay a filing fee for which the Employer has agreed to split on an equal basis.

(d) The arbitrator will be selected from a panel of arbitrators chosen by the AAA in White Plains, New York. After the filing of a Request for Arbitration, the AAA will send simultaneously to Employer and Employee an identical list of names of five persons chosen

from the panel. Each party will have 10 days from the transmittal date in which to strike up to two names, number the remaining names in order of preference and return the list to the AAA.

(e) Any pre-hearing disputes will be presented to the arbitrator for expeditious, final and binding resolution.

(f) The award of the arbitrator will be in writing and will set forth each issue considered and the arbitrator's finding of fact and conclusions of law as to each such issue.

(g) The remedy and relief that may be granted by the arbitrator to Employee are limited to lost wages, benefits, cease and desist and affirmative relief, compensatory, liquidated and punitive damages and reasonable attorney's fees, and will not include reinstatement or promotion. If the arbitrator would have awarded reinstatement or promotion, but for the prohibition in this Agreement, the arbitrator may award front pay. The arbitrator may assess to either party, or split, the arbitrator's fee and expenses and the cost of the transcript, if any, in accordance with the arbitrator's determination of the merits of each party's position, but each party will bear any cost for its witnesses and proof.

(h) Employer and Employee recognize that a primary benefit each derives from arbitration is avoiding the delay and costs normally associated with litigation. Therefore, neither party will be entitled to conduct any discovery prior to the arbitration hearing except that: (i) Employer will furnish Employee with copies of all non-privileged documents in Employee's personnel file; (ii) if the claim is for discharge, Employee will furnish Employer with records of earnings and benefits relating to Employee's subsequent employment (including self-employment) and all documents relating to Employee's efforts to obtain subsequent employment;

(iii) the parties will exchange copies of all documents they intend to introduce as evidence at the arbitration hearing at least 10 days prior to such hearing; (iv) Employee will be allowed (at Employee's expense) to take the depositions, for a period not to exceed four hours each, of two representatives of Employer, and Employer will be allowed (at its expense) to depose Employee for a period not to exceed four hours; and (v) Employer or Employee may ask the arbitrator to grant additional discovery to the extent permitted by AAA rules upon a showing that such discovery is necessary.

(i) Nothing herein will prevent either party from taking the deposition of any witness where the sole purpose for taking the deposition is to use the deposition in lieu of the witness testifying at the hearing and the witness is, in good faith, unavailable to testify in person at the hearing due to poor health, residency and employment more than 50 miles from the hearing site, conflicting travel plans or other comparable reason.

(iii) Arbitration must be requested in writing no later than 6 months from the date of the party's knowledge of the matter disputed by the claim. A party's failure to initiate arbitration within the time limits herein will be considered a waiver and release by that party with respect to any claim subject to arbitration under this Agreement.

(iv) Employer and Employee consent that judgment upon the arbitration award may be entered in any federal or state court that has jurisdiction.

(v) Except as provided in Section 10.A., neither party will commence or pursue any litigation on any claim that is or was subject to arbitration under this Agreement.

(vi) All aspects of any arbitration procedure under this Agreement, including the hearing and the record of the proceedings, are confidential and will not be open to the public, except to the extent the parties agree otherwise in writing, or as may be appropriate in any subsequent proceedings between the parties, or as may otherwise be appropriate in response to a governmental agency or legal process.

11. COVENANT NOT TO COMPETE. For purposes of this Section 11 only, the term "Employer" shall mean, collectively, Employer and each of its Affiliates. During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee will not engage in any business offering services related to the current business of Employer, whether as a principal, partner, joint venturer, agent, employee, salesman, consultant, director or officer, where such position would involve Employee (i) in any business activity in competition with Employer; (ii) in any position with any customer of Employer which involves such customer's billing and/or billing related systems or; or (iii) in any business that provides billing and/or billing related systems to third parties engaged in the communication business (including wireless, wireline and cable communication businesses). This restriction will be limited to the geographical area where Employer is then engaged in such competing business activity or to such other geographical area as a court shall find reasonably necessary to protect the goodwill and business of the Employer.

During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee will not interfere with or adversely affect, either directly or indirectly, Employer's relationships with any person, firm, association, corporation or other entity which is known by Employee to be, or is included on any listing to which Employee had access during the course of employment as a customer, client, supplier, consultant or employee of Employer and that Employee will not divert or change, or attempt to divert or change, any such relationship to the detriment of Employer or to the benefit of any other person, firm, association, corporation or other entity.

During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee shall not, without the prior written consent of Employer, accept employment, as an employee, consultant, or otherwise, with any company or entity which is a customer or supplier of Employer at any time during the final year of Employee's employment with Employer.

Employee will not, during or at any time within three years after the termination of

Employee's employment with Employer, induce or seek to induce, any other employee of Employer to terminate his or her employment relationship with Employer.

12. GOODWILL. Employee will not disparage Employer or any of its Affiliates in any way which could adversely affect the goodwill, reputation and business relationships of Employer or any of its Affiliates with the public generally, or with any of their customers, suppliers or employees. Employer will not disparage Employee.

13. TERMINATION.

A. (i) Employer or Employee may terminate this Agreement upon Employee's failure or inability to perform the services required hereunder because of any physical or mental infirmity for which Employee receives disability benefits under any disability benefit plans made available to Employee by Employer (the "Disability Plans"), over a period of one hundred twenty consecutive working days during any twelve consecutive month period (a "Terminating Disability").

(ii) If Employer or Employee elects to terminate this Agreement in the event of a Terminating Disability, such termination shall be effective immediately upon the giving of written notice by the terminating party to the other.

(iii) Upon termination of this Agreement on account of Terminating Disability, Employer shall pay Employee Employee's accrued compensation hereunder, whether Base Salary, Bonus or otherwise (subject to offset for any amounts received pursuant to the Disability Plans), to the date of termination. For as long as such Terminating Disability may exist, Employee shall continue to be an employee of Employer for all other purposes and Employer shall provide Employee with disability benefits and all other benefits according to the provisions of the Disability Plans and any other Employer plans in which Employee is then participating.

(iv) If the parties elect not to terminate this Agreement upon an event of a Terminating Disability and Employee returns to active employment with Employer prior to such a termination, or if such disability exists for less than one hundred twenty consecutive working days, the provisions of this Agreement shall remain in full force and effect.

B. This Agreement terminates immediately and automatically on the death of the Employee, provided, however, that the Employee's estate shall be paid Employee's accrued compensation hereunder, whether Base Salary, Bonus or otherwise, to the date of death.

C. Employer may terminate this Agreement immediately, upon written notice to Employee, for Cause. For purposes of this Agreement, Employer shall have "Cause" to terminate this Agreement only if Employer's Board of Directors determines that there has been fraud, misappropriation or embezzlement on the part of Employee.

D. Employer may terminate this Agreement immediately, upon written notice to Employee, for any reason other than those set forth in Sections 13.A., B. and C.; provided,

however, that Employer shall have no right to terminate under this Section 13.D. within two years after a Change in Control. In the event of a termination by Employer under this Section 13.D., Employer shall, within five days after the termination, pay Employee an amount equal to the greater of

(i) two times the sum of the annual Base Salary rate in effect at the time of termination plus the Bonus target in effect at the time of termination or

(ii) if the Current Term is longer than two years, the sum of the Base Salary for the remainder of the Current Term (at the rate in effect at the time of termination) plus the Bonus targets (at the amount in effect at the time of termination) for each calendar year commencing or ending during the remainder of the Current Term (subject to proration in the case of any calendar year ending after the Current Term). For the remainder of the Current Term, Employer shall continue to provide Employee with medical, dental, vision and life insurance coverage comparable to the medical, dental, vision and life insurance coverage in effect for Employee immediately prior to the termination; and, to the extent that Employee would have been eligible for any post-retirement medical, dental, vision or life insurance benefits from Employer if Employee had continued in employment through the end of the Current Term, Employer shall provide such post-retirement benefits to Employee after the end of the Current Term. For purposes of any stock option or restricted stock grant outstanding immediately prior to the termination, Employee's employment with Employer shall not be deemed to have terminated until the end of the Current Term. In addition, Employee shall be entitled to receive, as soon as practicable after termination, an amount equal to the sum of (i) any forfeitable benefits under any qualified or nonqualified pension, profit sharing, 401(k) or deferred compensation plan of Employer or any Affiliate which would have vested prior to the end of the Current Term if Employee's employment had not terminated plus (ii) if Employee is participating in a qualified or nonqualified defined benefit plan of Employer or any Affiliate at the time of termination, an amount equal to the present value of the additional vested benefits which would have accrued for Employee under such plan if Employee's employment had not terminated prior to the end of the Current Term and if Employee's annual Base Salary and Bonus target had neither increased nor decreased after the termination. For purposes of this

Section 13.D., "Current Term" means the longer of (i) the two year period beginning at the time of termination or (ii) the unexpired term of this Agreement at the time of the termination, determined as provided in Section 2 but assuming that there is no automatic extension of the Agreement term after the termination. For purposes of this Section 13.D. and Section 13.E., "Change in Control" means a change in control as defined in Employer's 1998 Long Term Incentive Plan.

E. This Agreement shall terminate automatically in the event that there is a Change in Control and either (i) Employee elects to resign within 90 days after the Change in Control or (ii) Employee's employment with Employer is actually or constructively terminated by Employer within two years after the Change in Control for any reason other than those set forth in Sections 13.A., B. and C. For purposes of the preceding sentence, a "constructive" termination of Employee's employment shall be deemed to have occurred if, without Employee's consent, there is a material reduction in Employee's authority or responsibilities or if there is a reduction in Employee's Base Salary or Bonus target from the amount in effect immediately prior to the Change in Control or if Employee is required by Employer to relocate from the city where Employee is residing immediately prior to the Change in Control. In the event of a termination under this Section 13.E., Employer shall pay Employee an amount equal to three times the sum

of the annual Base Salary rate in effect at the time of termination plus the Bonus target in effect at the time of termination, all stock options shall become immediately exercisable (and Employee shall be afforded the opportunity to exercise them), the restrictions applicable to all restricted stock shall lapse and any long term awards shall be paid out at target. For the remainder of the Current Term, Employer shall continue to provide Employee with medical, dental, vision and life insurance coverage comparable to the medical, dental, vision and life insurance coverage in effect for Employee immediately prior to the termination; and, to the extent that Employee would have been eligible for any post-retirement medical, dental, vision or life insurance benefits from Employer if Employee had continued in employment through the end of the Current Term, Employer shall provide such post-retirement benefits to Employee after the end of the Current Term. Employee's accrued benefit under any nonqualified pension or deferred compensation plan maintained by Employer or any Affiliate shall become immediately vested and nonforfeitable and Employee also shall be entitled to receive a payment equal to the sum of (i) any forfeitable benefits under any qualified pension or profit sharing or 401(k) plan maintained by Employer or any Affiliate plus (ii) if Employee is participating in a qualified or nonqualified defined benefit plan of Employer or any Affiliate at the time of termination, an amount equal to the present value of the additional benefits which would have accrued for Employee under such plan if Employee's employment had not terminated prior to the end of the Current Term and if Employee's annual Base Salary and Bonus target had neither increased nor decreased after the termination. Finally, to the extent that Employee is deemed to have received an excess parachute payment by reason of the Change in Control, Employer shall pay Employee an additional sum sufficient to pay

(i) any taxes imposed under section 4999 of the Code plus (ii) any federal, state and local taxes applicable to any taxes imposed under section 4999 of the Code. For purposes of this Section 13.E., "Current Term" means the longer of (i) the three year period beginning at the time of termination or (ii) the unexpired term of this Agreement at the time of the termination, determined as provided in Section 2 but assuming that there is no automatic extension of the Agreement term after the termination.

F. Employee may resign upon 60 days' prior written notice to Employer. In the event of a resignation under this Section 13.F., this Agreement shall terminate and Employee shall be entitled to receive Employee's Base Salary through the date of termination, any Bonus earned but not paid at the time of termination and any other vested compensation or benefits called for under any compensation plan or program of Employer.

G. Employee may retire upon one year's prior written notice to Employer at any time after Employee has attained age 55 and completed at least ten years of service with Employer and its Affiliates. For purposes of the preceding sentence, service with Cincinnati Bell Inc. and its subsidiaries prior to the Effective Date shall be deemed to be service with Employer. In the event of a retirement under this Section 13.G., this Agreement shall terminate and Employee shall be entitled to receive Employee's Base Salary through the date of termination and any Bonus earned but not paid at the time of termination. In addition, Employee shall be entitled to receive any compensation or benefits made available to retirees under Employer's standard policies and programs, including retiree medical and life insurance benefits, a prorated Bonus for the year of termination, and the right to exercise options after retirement.

H. Upon termination of this Agreement as a result of an event of termination described in this Section 13 and except for Employer's payment of the required payments under this Section 13 (including any Base Salary accrued through the date of termination, any Bonus earned for the year preceding the year in which the termination occurs and any nonforfeitable amounts payable under any employee plan), all further compensation under this Agreement shall terminate.

I. The termination of this Agreement shall not amend, alter or modify the rights and obligations of the parties under Sections 7, 8, 9, 10, 11, and 12 hereof, the terms of which shall survive the termination of this Agreement.

14. ASSIGNMENT. As this is an agreement for personal services involving a relation of confidence and a trust between Employer and Employee, all rights and duties of Employee arising under this Agreement, and the Agreement itself, are non-assignable by Employee.

15. NOTICES. Any notice required or permitted to be given under this Agreement shall be sufficient, if in writing, and if delivered personally or by certified mail to Employee at Employee's place of residence as then recorded on the books of Employer or to Employer at its principal office.

16. WAIVER. No waiver or modification of this Agreement or the terms contained herein shall be valid unless in writing and duly executed by the party to be charged therewith. The waiver by any party hereto of a breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach by such party.

17. GOVERNING LAW. This agreement shall be governed by the laws of the State of Ohio.

18. ENTIRE AGREEMENT. This Agreement contains the entire agreement of the parties with respect to Employee's employment by Employer. There are no other contracts, agreements or understandings, whether oral or written, existing between them except as contained or referred to in this Agreement.

19. SEVERABILITY. In case any one or more of the provisions of this Agreement is held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or other enforceability shall not affect any other provisions hereof, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provisions have never been contained herein.

20. SUCCESSORS AND ASSIGNS. Subject to the requirements of Paragraph 14 above, this Agreement shall be binding upon Employee, Employer and Employer's successors and assigns.

21. CONFIDENTIALITY OF AGREEMENT TERMS. The terms of this Agreement shall be held in strict confidence by Employee and shall not be disclosed by Employee to anyone other than Employee's spouse, Employee's legal counsel, and Employee's other advisors, unless required by law. Further, except as provided in the preceding sentence, Employee shall not reveal the

existence of this Agreement or discuss its terms with any person (including but not limited to any employee of Employer or its Affiliates) without the express authorization of the Board of Directors of Employer. To the extent that the terms of this Agreement have been disclosed by Employer, in a public filing or otherwise, the confidentiality requirements of this Section 21 shall no longer apply to such terms.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

CONVERGYS CORPORATION

By:

EMPLOYEE

James F. Orr

Attachment B

EMPLOYEE BENEFITS

Automobile Allowance automobile	Company-leased
Cellular Telephone	Yes
Executive Deferred Compensation Plan	Yes
Group Accident Life	\$500,000
Legal/Financial/Insurance Allowance	\$10,000 per year
Parking	Yes
Annual Physical	Yes
Short Term Disability Supplement	Yes
Travel Insurance (Spouse)	\$50,000
Vacation	5 weeks per year

AMENDMENT TO EMPLOYMENT AGREEMENT

The Employment Agreement between Convergys Corporation ("Employer") and James F. Orr ("Employee"), made as of the date on which the initial public offering of Employer's common shares was closed, is hereby amended in the following respects:

1. Section 4.A. is hereby amended to read as follows:

A. Employee shall receive a base salary (the "Base Salary") of at least \$765,000 per year, payable not less frequently than monthly, for each year after 1998 during the term of this Agreement, subject to proration for any partial year. Such Base Salary, and all other amounts payable under this Agreement, shall be subject to withholding as required by law.

2. Section 4.B. is hereby amended to read as follows:

B. In addition to the Base Salary, Employee shall be entitled to receive an annual bonus (the "Bonus") for each calendar year for which services are performed under this Agreement. Any Bonus for a calendar year shall be payable after the conclusion of the calendar year in accordance with Employer's regular bonus payment policies. The Bonus target for the period from August 13, 1998 through December 31, 1998 shall be \$165,723 (\$429,000 on an annualized basis). Each year after 1998, Employee shall be given a minimum Bonus target, by Employer's Compensation Committee, of not less than \$324,000, subject to proration for a partial year.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed on December ____, 1998.

CONVERGYS CORPORATION

By:

James F. Orr

**EXHIBIT 10.9
TO
FORM 10-K FOR 1998**

EMPLOYMENT AGREEMENT

This Agreement is made as of the Effective Date between Convergys Corporation, an Ohio corporation ("Employer"), and William D. Baskett III ("Employee"). For purposes of this Agreement, "Effective Date" means the date on which the initial public offering of Employer's common shares is closed.

Employer and Employee agree as follows:

1. **EMPLOYMENT.** By this Agreement, Employer and Employee set forth the terms of Employer's employment of Employee on and after the Effective Date. Any prior agreements or understandings with respect to Employee's employment by Employer, including Employee's Employment Agreement with Cincinnati Bell Inc. dated January 1, 1998, are canceled as of the Effective Date.
2. **TERM OF AGREEMENT.** The term of this Agreement initially shall be the four year period commencing on the Effective Date. On the third anniversary of the Effective Date and on each subsequent anniversary of the Effective Date, the term of this Agreement automatically shall be extended for a period of one additional year. Notwithstanding the foregoing, the term of this Agreement is subject to termination as provided in Section 13.
3. **DUTIES.**
 - A. Employee will serve as Chief Legal Officer of Employer or in such other equivalent capacity as may be designated by the President of Employer. Employee will report to the President of Employer.
 - B. Employee shall furnish such managerial, executive, financial, technical, and other skills, advice, and assistance in operating Employer and its Affiliates as Employer may reasonably request. For purposes of this Agreement, "Affiliate" means each corporation which is a member of a controlled group of corporations (within the meaning of section 1563(a) of the Internal Revenue Code of 1986, as amended (the "Code")) which includes Employer.
 - C. Employee shall also perform such other duties as are reasonably assigned to Employee by the President of Employer.
 - D. Employee shall devote Employee's entire time, attention, and energies to the business of Employer and its Affiliates. The words "entire time, attention, and energies" are intended to mean that Employee shall devote Employee's full effort during reasonable working

hours to the business of Employer and its Affiliates and shall devote at least 40 hours per week to the business of Employer and its Affiliates. Employee shall travel to such places as are necessary in the performance of Employee's duties.

4. COMPENSATION.

A. Employee shall receive a base salary (the "Base Salary") of at least \$275,000 per year, payable not less frequently than monthly, for each year during the term of this Agreement, subject to proration for any partial year. Such Base Salary, and all other amounts payable under this Agreement, shall be subject to withholding as required by law.

B. In addition to the Base Salary, Employee shall be entitled to receive an annual bonus (the "Bonus") for each calendar year for which services are performed under this Agreement. Any Bonus for a calendar year shall be payable after the conclusion of the calendar year in accordance with Employer's regular bonus payment policies. Each year, Employee shall be given a Bonus target, by Employer's Compensation Committee, of not less than \$135,000, subject to proration for a partial year.

C. On at least an annual basis, Employee shall receive a formal performance review and be considered for Base Salary and/or Bonus target increases.

5. EXPENSES. All reasonable and necessary expenses incurred by Employee in the course of the performance of Employee's duties to Employer shall be reimbursable in accordance with Employer's then current travel and expense policies.

6. BENEFITS.

A. While Employee remains in the employ of Employer, Employee shall be entitled to participate in all of the various employee benefit plans and programs, or equivalent plans and programs, set forth in Attachment B.

B. Notwithstanding anything contained herein to the contrary, the Base Salary and Bonuses otherwise payable to Employee shall be reduced by any benefits paid to Employee by Employer under any disability plans made available to Employee by Employer.

C. As of the Effective Date, Employee shall be granted options to purchase 50,000 common shares of Employer under Employer's 1998 Long Term Incentive Plan. In each year of this Agreement after 1998, Employee will be granted stock options under Employer's 1998 Long Term Incentive Plan or any similar plan made available to employees of Employer.

D. As of the Effective Date, Employee shall receive a restricted stock award of 25,000 common shares of Employer. Such award shall be made under Employer's 1998 Long Term Incentive Plan on the terms set forth in Attachment A.

E. In each year of this Agreement after 1998, Employee will be given a long term

incentive target under Employer's 1998 Long Term Incentive Plan. In no event will the value of Executive's long term incentives (stock options and performance share targets) for any year, as determined by Employer's Compensation Committee, be less than \$250,000.

F. As long as Employee remains employed under this Agreement, Employee shall be entitled to participate in Employer's Pension Program.

7. CONFIDENTIALITY. Employer and its Affiliates are engaged in the outsourced customer care industry within the U.S. and world wide. Employee acknowledges that in the course of employment with the Employer, Employee will be entrusted with or obtain access to information proprietary to the Employer and its Affiliates with respect to the following (all of which information is referred to hereinafter collectively as the "Information"); the organization and management of Employer and its Affiliates; the names, addresses, buying habits, and other special information regarding past, present and potential customers, employees and suppliers of Employer and its Affiliates; customer and supplier contracts and transactions or price lists of Employer, its Affiliates and their suppliers; products, services, programs and processes sold, licensed or developed by the Employer or its Affiliates; technical data, plans and specifications, present and/or future development projects of Employer and its Affiliates; financial and/or marketing data respecting the conduct of the present or future phases of business of Employer and its Affiliates; computer programs, systems and/or software; ideas, inventions, trademarks, business information, know-how, processes, improvements, designs, redesigns, discoveries and developments of Employer and its Affiliates; and other information considered confidential by any of the Employer, its Affiliates or customers or suppliers of Employer, its Affiliates. Employee agrees to retain the Information in absolute confidence and not to disclose the Information to any person or organization except as required in the performance of Employee's duties for Employer, without the express written consent of Employer; provided that Employee's obligation of confidentiality shall not extend to any Information which becomes generally available to the public other than as a result of disclosure by Employee.

8. NEW DEVELOPMENTS. All ideas, inventions, discoveries, concepts, trademarks, or other developments or improvements, whether patentable or not, conceived by the Employee, alone or with others, at any time during the term of Employee's employment, whether or not during working hours or on Employer's premises, which are within the scope of or related to the business operations of Employer or its Affiliates ("New Developments"), shall be and remain the exclusive property of Employer. Employee shall do all things reasonably necessary to ensure ownership of such New Developments by Employer, including the execution of documents assigning and transferring to Employer, all of Employee's rights, title and interest in and to such New Developments, and the execution of all documents required to enable Employer to file and obtain patents, trademarks, and copyrights in the United States and foreign countries on any of such New Developments.

9. SURRENDER OF MATERIAL UPON TERMINATION. Employee hereby agrees that upon cessation of Employee's employment, for whatever reason and whether voluntary or involuntary, Employee will immediately surrender to Employer all of the property and other things of value in his possession or in the possession of any person or entity under Employer's control that are the

property of Employer or any of its Affiliates, including without any limitation all personal notes, drawings, manuals, documents, photographs, or the like, including copies and derivatives thereof, relating directly or indirectly to any confidential information or materials or New Developments, or relating directly or indirectly to the business of Employer or any of its Affiliates.

10. REMEDIES.

A. Employer and Employee hereby acknowledge and agree that the services rendered by Employee to Employer, the information disclosed to Employee during and by virtue of Employee's employment, and Employee's commitments and obligations to Employer and its Affiliates herein are of a special, unique and extraordinary character, and that the breach of any provision of this Agreement by Employee will cause Employer irreparable injury and damage, and consequently the Employer shall be entitled to, in addition to all other remedies available to it, injunctive and equitable relief to prevent a breach of Sections 7, 8, 9, 11 and 12 of this Agreement and to secure the enforcement of this Agreement.

B. Except as provided in Section 10.A., the parties agree to submit to final and binding arbitration any dispute, claim or controversy, whether for breach of this Agreement or for violation of any of Employee's statutorily created or protected rights, arising between the parties that either party would have been otherwise entitled to file or pursue in court or before any administrative agency (herein "claim"), and waives all right to sue the other party.

(i) This agreement to arbitrate and any resulting arbitration award are enforceable under and subject to the Federal Arbitration Act, 9 U.S.C. Section 1 et seq. ("FAA"). If the FAA is held not to apply for any reason then Ohio Revised Code Chapter 2711 regarding the enforceability of arbitration agreements and awards will govern this Agreement and the arbitration award.

(ii) (a) All of a party's claims must be presented at a single arbitration hearing. Any claim not raised at the arbitration hearing is waived and released. The arbitration hearing will take place in Cincinnati, Ohio.

(b) The arbitration process will be governed by the Employment Dispute Resolution Rules of the American Arbitration Association ("AAA") except to the extent they are modified by this Agreement.

(c) Employee has had an opportunity to review the AAA rules and the requirements that Employee must pay a filing fee for which the Employer has agreed to split on an equal basis.

(d) The arbitrator will be selected from a panel of arbitrators chosen by the AAA in White Plains, New York. After the filing of a Request for Arbitration, the AAA will send simultaneously to Employer and Employee an identical list of names of five persons chosen from the panel. Each party will have 10 days from the transmittal date in which to strike up to two names, number the remaining names in order of preference and return the list to the AAA.

(e) Any pre-hearing disputes will be presented to the arbitrator for expeditious, final and binding resolution.

(f) The award of the arbitrator will be in writing and will set forth each issue considered and the arbitrator's finding of fact and conclusions of law as to each such issue.

(g) The remedy and relief that may be granted by the arbitrator to Employee are limited to lost wages, benefits, cease and desist and affirmative relief, compensatory, liquidated and punitive damages and reasonable attorney's fees, and will not include reinstatement or promotion. If the arbitrator would have awarded reinstatement or promotion, but for the prohibition in this Agreement, the arbitrator may award front pay. The arbitrator may assess to either party, or split, the arbitrator's fee and expenses and the cost of the transcript, if any, in accordance with the arbitrator's determination of the merits of each party's position, but each party will bear any cost for its witnesses and proof.

(h) Employer and Employee recognize that a primary benefit each derives from arbitration is avoiding the delay and costs normally associated with litigation. Therefore, neither party will be entitled to conduct any discovery prior to the arbitration hearing except that: (i) Employer will furnish Employee with copies of all non-privileged documents in Employee's personnel file; (ii) if the claim is for discharge, Employee will furnish Employer with records of earnings and benefits relating to Employee's subsequent employment (including self-employment) and all documents relating to Employee's efforts to obtain subsequent employment; (iii) the parties will exchange copies of all documents they intend to introduce as evidence at the arbitration hearing at least 10 days prior to such hearing; (iv) Employee will be allowed (at Employee's expense) to take the depositions, for a period not to exceed four hours each, of two representatives of Employer, and Employer will be allowed (at its expense) to depose Employee for a period not to exceed four hours; and (v) Employer or Employee may ask the arbitrator to grant additional discovery to the extent permitted by AAA rules upon a showing that such discovery is necessary.

(i) Nothing herein will prevent either party from taking the deposition of any witness where the sole purpose for taking the deposition is to use the deposition in lieu of the witness testifying at the hearing and the witness is, in good faith, unavailable to testify in person at the hearing due to poor health, residency and employment more than 50 miles from the hearing site, conflicting travel plans or other comparable reason.

(iii) Arbitration must be requested in writing no later than 6 months from the date of the party's knowledge of the matter disputed by the claim. A party's failure to initiate arbitration within the time limits herein will be considered a waiver and release by that party with respect to any claim subject to arbitration under this Agreement.

(iv) Employer and Employee consent that judgment upon the arbitration award may be entered in any federal or state court that has jurisdiction.

(v) Except as provided in Section 10.A., neither party will commence or pursue any litigation on any claim that is or was subject to arbitration under this Agreement.

(vi) All aspects of any arbitration procedure under this Agreement, including the hearing and the record of the proceedings, are confidential and will not be open to the public, except to the extent the parties agree otherwise in writing, or as may be appropriate in any subsequent proceedings between the parties, or as may otherwise be appropriate in response to a governmental agency or legal process.

11. COVENANT NOT TO COMPETE. For purposes of this Section 11 only, the term "Employer" shall mean, collectively, Employer and each of its Affiliates. During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee will not engage in any business offering services related to the current business of Employer, whether as a principal, partner, joint venturer, agent, employee, salesman, consultant, director or officer, where such position would involve Employee (i) in any business activity in competition with Employer; (ii) in any position with any customer of Employer which involves such customer's billing and/or billing related systems or; or (iii) in any business that provides billing and/or billing related systems to third parties engaged in the communication business (including wireless, wireline and cable communication businesses). This restriction will be limited to the geographical area where Employer is then engaged in such competing business activity or to such other geographical area as a court shall find reasonably necessary to protect the goodwill and business of the Employer.

During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee will not interfere with or adversely affect, either directly or indirectly, Employer's relationships with any person, firm, association, corporation or other entity which is known by Employee to be, or is included on any listing to which Employee had access during the course of employment as a customer, client, supplier, consultant or employee of Employer and that Employee will not divert or change, or attempt to divert or change, any such relationship to the detriment of Employer or to the benefit of any other person, firm, association, corporation or other entity.

During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee shall not, without the prior written consent of Employer, accept employment, as an employee, consultant, or otherwise, with any company or entity which is a customer or supplier of Employer at any time during the final year of Employee's employment with Employer.

Employee will not, during or at any time within three years after the termination of Employee's employment with Employer, induce or seek to induce, any other employee of Employer to terminate his or her employment relationship with Employer.

12. GOODWILL. Employee will not disparage Employer or any of its Affiliates in any way which could adversely affect the goodwill, reputation and business relationships of Employer or any of its Affiliates with the public generally, or with any of their customers, suppliers or employees. Employer will not disparage Employee.

13. TERMINATION.

A. (i) Employer or Employee may terminate this Agreement upon Employee's failure or inability to perform the services required hereunder because of any physical or mental infirmity for which Employee receives disability benefits under any disability benefit plans made available to Employee by Employer (the "Disability Plans"), over a period of one hundred twenty consecutive working days during any twelve consecutive month period (a "Terminating Disability").

(ii) If Employer or Employee elects to terminate this Agreement in the event of a Terminating Disability, such termination shall be effective immediately upon the giving of written notice by the terminating party to the other.

(iii) Upon termination of this Agreement on account of Terminating Disability, Employer shall pay Employee Employee's accrued compensation hereunder, whether Base Salary, Bonus or otherwise (subject to offset for any amounts received pursuant to the Disability Plans), to the date of termination. For as long as such Terminating Disability may exist, Employee shall continue to be an employee of Employer for all other purposes and Employer shall provide Employee with disability benefits and all other benefits according to the provisions of the Disability Plans and any other Employer plans in which Employee is then participating.

(iv) If the parties elect not to terminate this Agreement upon an event of a Terminating Disability and Employee returns to active employment with Employer prior to such a termination, or if such disability exists for less than one hundred twenty consecutive working days, the provisions of this Agreement shall remain in full force and effect.

B. This Agreement terminates immediately and automatically on the death of the Employee, provided, however, that the Employee's estate shall be paid Employee's accrued compensation hereunder, whether Base Salary, Bonus or otherwise, to the date of death.

C. Employer may terminate this Agreement immediately, upon written notice to Employee, for Cause. For purposes of this Agreement, Employer shall have "Cause" to terminate this Agreement only if Employer's Board of Directors determines that there has been fraud, misappropriation or embezzlement on the part of Employee.

D. Employer may terminate this Agreement immediately, upon written notice to Employee, for any reason other than those set forth in Sections 13.A., B. and C.; provided, however, that Employer shall have no right to terminate under this Section 13.D. within two years after a Change in Control. In the event of a termination by Employer under this Section

13.D., Employer shall, within five days after the termination, pay Employee an amount equal to the greater of (i) two times the sum of the annual Base Salary rate in effect at the time of termination plus the Bonus target in effect at the time of termination or (ii) if the Current Term is longer than two years, the sum of the Base Salary for the remainder of the Current Term (at the rate in effect at the time of termination) plus the Bonus targets (at the amount in effect at the time of termination) for each calendar year commencing or ending during the remainder of the Current Term (subject to proration in the case of any calendar year ending after the Current Term). For the remainder of the Current Term, Employer shall continue to provide Employee with medical, dental, vision and life insurance coverage comparable to the medical, dental, vision and life insurance coverage in effect for Employee immediately prior to the termination; and, to the extent that Employee would have been eligible for any post-retirement medical, dental, vision or life insurance benefits from Employer if Employee had continued in employment through the end of the Current Term, Employer shall provide such post-retirement benefits to Employee after the end of the Current Term. For purposes of any stock option or restricted stock grant outstanding immediately prior to the termination, Employee's employment with Employer shall not be deemed to have terminated until the end of the Current Term. In addition, Employee shall be entitled to receive, as soon as practicable after termination, an amount equal to the sum of (i) any forfeitable benefits under any qualified or nonqualified pension, profit sharing, 401(k) or deferred compensation plan of Employer or any Affiliate which would have vested prior to the end of the Current Term if Employee's employment had not terminated plus (ii) if Employee is participating in a qualified or nonqualified defined benefit plan of Employer or any Affiliate at the time of termination, an amount equal to the present value of the additional vested benefits which would have accrued for Employee under such plan if Employee's employment had not terminated prior to the end of the Current Term and if Employee's annual Base Salary and Bonus target had neither increased nor decreased after the termination. For purposes of this Section 13.D., "Current Term" means the longer of (i) the two year period beginning at the time of termination or (ii) the unexpired term of this Agreement at the time of the termination, determined as provided in Section 2 but assuming that there is no automatic extension of the Agreement term after the termination. For purposes of this Section 13.D. and Section 13.E., "Change in Control" means a change in control as defined in Employer's 1998 Long Term Incentive Plan.

F. This Agreement shall terminate automatically in the event that there is a Change in Control and either (i) Employee elects to resign within 90 days after the Change in Control or (ii) Employee's employment with Employer is actually or constructively terminated by Employer within two years after the Change in Control for any reason other than those set forth in Sections 13.A., B. and C. For purposes of the preceding sentence, a "constructive" termination of Employee's employment shall be deemed to have occurred if, without Employee's consent, there is a material reduction in Employee's authority or responsibilities or if there is a reduction in Employee's Base Salary or Bonus target from the amount in effect immediately prior to the Change in Control or if Employee is required by Employer to relocate from the city where Employee is residing immediately prior to the Change in Control. In the event of a termination under this Section 13.E., Employer shall pay Employee an amount equal to three times the sum of the annual Base Salary rate in effect at the time of termination plus the Bonus target in effect at the time of termination, all stock options shall become immediately exercisable (and Employee

shall be afforded the opportunity to exercise them), the restrictions applicable to all restricted stock shall lapse and any long term awards shall be paid out at target. For the remainder of the Current Term, Employer shall continue to provide Employee with medical, dental, vision and life insurance coverage comparable to the medical, dental, vision and life insurance coverage in effect for Employee immediately prior to the termination; and, to the extent that Employee would have been eligible for any post-retirement medical, dental, vision or life insurance benefits from Employer if Employee had continued in employment through the end of the Current Term, Employer shall provide such post-retirement benefits to Employee after the end of the Current Term. Employee's accrued benefit under any nonqualified pension or deferred compensation plan maintained by Employer or any Affiliate shall become immediately vested and nonforfeitable and Employee also shall be entitled to receive a payment equal to the sum of (i) any forfeitable benefits under any qualified pension or profit sharing or 401(k) plan maintained by Employer or any Affiliate plus (ii) if Employee is participating in a qualified or nonqualified defined benefit plan of Employer or any Affiliate at the time of termination, an amount equal to the present value of the additional benefits which would have accrued for Employee under such plan if Employee's employment had not terminated prior to the end of the Current Term and if Employee's annual Base Salary and Bonus target had neither increased nor decreased after the termination. Finally, to the extent that Employee is deemed to have received an excess parachute payment by reason of the Change in Control, Employer shall pay Employee an additional sum sufficient to pay (i) any taxes imposed under section 4999 of the Code plus (ii) any federal, state and local taxes applicable to any taxes imposed under section 4999 of the Code. For purposes of this Section 13.E., "Current Term" means the longer of (i) the three year period beginning at the time of termination or (ii) the unexpired term of this Agreement at the time of the termination, determined as provided in Section 2 but assuming that there is no automatic extension of the Agreement term after the termination.

F. Employee may resign upon 60 days' prior written notice to Employer. In the event of a resignation under this Section 13.F., this Agreement shall terminate and Employee shall be entitled to receive Employee's Base Salary through the date of termination, any Bonus earned but not paid at the time of termination and any other vested compensation or benefits called for under any compensation plan or program of Employer.

G. Employee may retire upon six months' prior written notice to Employer at any time after Employee has attained age 55 and completed at least ten years of service with Employer and its Affiliates. For purposes of the preceding sentence, service with Cincinnati Bell Inc. and its subsidiaries prior to the Effective Date shall be deemed to be service with Employer. In the event of a retirement under this Section 13.G., this Agreement shall terminate and Employee shall be entitled to receive Employee's Base Salary through the date of termination and any Bonus earned but not paid at the time of termination. In addition, Employee shall be entitled to receive any compensation or benefits made available to retirees under Employer's standard policies and programs, including retiree medical and life insurance benefits, a prorated Bonus for the year of termination, and the right to exercise options after retirement.

H. Upon termination of this Agreement as a result of an event of termination described in this Section 13 and except for Employer's payment of the required payments under

this Section 13 (including any Base Salary accrued through the date of termination, any Bonus earned for the year preceding the year in which the termination occurs and any nonforfeitable amounts payable under any employee plan), all further compensation under this Agreement shall terminate.

I. The termination of this Agreement shall not amend, alter or modify the rights and obligations of the parties under Sections 7, 8, 9, 10, 11, and 12 hereof, the terms of which shall survive the termination of this Agreement.

14. ASSIGNMENT. As this is an agreement for personal services involving a relation of confidence and a trust between Employer and Employee, all rights and duties of Employee arising under this Agreement, and the Agreement itself, are non-assignable by Employee.

15. NOTICES. Any notice required or permitted to be given under this Agreement shall be sufficient, if in writing, and if delivered personally or by certified mail to Employee at Employee's place of residence as then recorded on the books of Employer or to Employer at its principal office.

16. WAIVER. No waiver or modification of this Agreement or the terms contained herein shall be valid unless in writing and duly executed by the party to be charged therewith. The waiver by any party hereto of a breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach by such party.

17. GOVERNING LAW. This agreement shall be governed by the laws of the State of Ohio.

18. ENTIRE AGREEMENT. This Agreement contains the entire agreement of the parties with respect to Employee's employment by Employer. There are no other contracts, agreements or understandings, whether oral or written, existing between them except as contained or referred to in this Agreement.

19. SEVERABILITY. In case any one or more of the provisions of this Agreement is held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or other enforceability shall not affect any other provisions hereof, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provisions have never been contained herein.

20. SUCCESSORS AND ASSIGNS. Subject to the requirements of Paragraph 14 above, this Agreement shall be binding upon Employee, Employer and Employer's successors and assigns.

21. CONFIDENTIALITY OF AGREEMENT TERMS. The terms of this Agreement shall be held in strict confidence by Employee and shall not be disclosed by Employee to anyone other than Employee's spouse, Employee's legal counsel, and Employee's other advisors, unless required by law. Further, except as provided in the preceding sentence, Employee shall not reveal the existence of this Agreement or discuss its terms with any person (including but not limited to any employee of Employer or its Affiliates) without the express authorization of the President of Employer. To the extent that the terms of this Agreement have been disclosed by Employer, in a

public filing or otherwise, the confidentiality requirements of this Section 21 shall no longer apply to such terms.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

CONVERGYS CORPORATION

By:

EMPLOYEE

William D. Baskett III

Attachment B

EMPLOYEE BENEFITS

Automobile Allowance	\$850 per month
Cellular Telephone	Yes
Executive Deferred Compensation Plan	Yes
Group Accident Life	\$500,000
Legal/Financial/Insurance Allowance	\$7,500 per year
Parking	Yes
Annual Physical	Yes
Short Term Disability Supplement	Yes
Travel Insurance (Spouse)	\$50,000
Vacation year	5 weeks per

AMENDMENT TO EMPLOYMENT AGREEMENT

The Employment Agreement between Convergys Corporation ("Employer") and William D. Baskett III ("Employee"), made as of the date on which the initial public offering of Employer's common shares was closed, is hereby amended in the following respects:

2. Section 4.A. is hereby amended to read as follows:

A. Employee shall receive a base salary (the "Base Salary") of at least \$310,000 per year, payable not less frequently than monthly, for each year after 1998 during the term of this Agreement, subject to proration for any partial year. Such Base Salary, and all other amounts payable under this Agreement, shall be subject to withholding as required by law.

2. Section 4.B. is hereby amended to read as follows:

B. In addition to the Base Salary, Employee shall be entitled to receive an annual bonus (the "Bonus") for each calendar year for which services are performed under this Agreement. Any Bonus for a calendar year shall be payable after the conclusion of the calendar year in accordance with Employer's regular bonus payment policies. The Bonus target for the period from August 13, 1998 through December 31, 1998 shall be \$52,151 (\$135,000 on an annualized basis). Each year after 1998, Employee shall be given a minimum Bonus target, by Employer's Compensation Committee, of not less than \$100,000, subject to proration for a partial year.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed on December ____, 1998.

CONVERGYS CORPORATION

By:

William D. Baskett III

**EXHIBIT 10.10
TO
FORM 10-K FOR 1998**

EMPLOYMENT AGREEMENT

This Agreement is made as of the June 1, 1998 (the "Effective Date") between Convergys Corporation, an Ohio corporation ("Employer"), and Steven G. Rolls ("Employee").

Employer and Employee agree as follows:

1. **EMPLOYMENT.** By this Agreement, Employer and Employee set forth the terms of Employer's employment of Employee on and after the Effective Date. Any prior agreements or understandings with respect to Employee's employment by Employer are canceled as of the Effective Date.
2. **TERM OF AGREEMENT.** The term of this Agreement initially shall be the four year period commencing on the Effective Date. On the third anniversary of the Effective Date and on each subsequent anniversary of the Effective Date, the term of this Agreement automatically shall be extended for a period of one additional year. Notwithstanding the foregoing, the term of this Agreement is subject to termination as provided in Section 13.
3. **DUTIES.**
 - A. Employee will serve as Chief Financial Officer of Employer or in such other equivalent capacity as may be designated by the President of Employer. Employee will report to the President of Employer.
 - B. Employee shall furnish such managerial, executive, financial, technical, and other skills, advice, and assistance in operating Employer and its Affiliates as Employer may reasonably request. For purposes of this Agreement, "Affiliate" means each corporation which is a member of a controlled group of corporations (within the meaning of section 1563(a) of the Internal Revenue Code of 1986, as amended (the "Code")) which includes Employer.
 - C. Employee shall also perform such other duties as are reasonably assigned to Employee by the President of Employer.
 - D. Employee shall devote Employee's entire time, attention, and energies to the business of Employer and its Affiliates. The words "entire time, attention, and energies" are intended to mean that Employee shall devote Employee's full effort during reasonable working hours to the business of Employer and its Affiliates and shall devote at least 40 hours per week to the business of Employer and its Affiliates. Employee shall travel to such places as are necessary in the performance of Employee's duties.

4. COMPENSATION.

A. Employee shall receive a base salary (the "Base Salary") of at least \$275,000 per year, payable not less frequently than monthly, for each year during the term of this Agreement, subject to proration for any partial year. Such Base Salary, and all other amounts payable under this Agreement, shall be subject to withholding as required by law.

B. In addition to the Base Salary, Employee shall be entitled to receive an annual bonus (the "Bonus") for each calendar year for which services are performed under this Agreement. Any Bonus for a calendar year shall be payable after the conclusion of the calendar year in accordance with Employer's regular bonus payment policies. Each year, Employee shall be given a Bonus target, by Employer's Compensation Committee, of not less than \$135,000, subject to proration for a partial year.

C. On at least an annual basis, Employee shall receive a formal performance review and be considered for Base Salary and/or Bonus target increases.

5. EXPENSES. All reasonable and necessary expenses incurred by Employee in the course of the performance of Employee's duties to Employer shall be reimbursable in accordance with Employer's then current travel and expense policies.

6. BENEFITS.

A. While Employee remains in the employ of Employer, Employee shall be entitled to participate in all of the various employee benefit plans and programs, or equivalent plans and programs, set forth in Attachment B.

B. Notwithstanding anything contained herein to the contrary, the Base Salary and Bonuses otherwise payable to Employee shall be reduced by any benefits paid to Employee by Employer under any disability plans made available to Employee by Employer.

C. As of the date on which the initial public offering for Employer's common shares is closed (the "IPO Date"), Employee shall be granted options to purchase 50,000 common shares of Employer under Employer's 1998 Long Term Incentive Plan. In each year of this Agreement after 1998, Employee will be granted stock options under Employer's 1998 Long Term Incentive Plan or any similar plan made available to employees of Employer.

D. As of the IPO Date, Employee shall receive a restricted stock award of 25,000 common shares of Employer. Such award shall be made under Employer's 1998 Long Term Incentive Plan on the terms set forth in Attachment A.

E. In each year of this Agreement after 1998, Employee will be given a Performance Share target under Employer's 1998 Long Term Incentive Plan. In no event will the value of

Executive's long term incentives (stock options and performance share targets) for any year, as determined by Employer's Compensation Committee, be less than \$300,000.

F. As long as Employee remains employed under this Agreement, Employee shall be entitled to participate in Employer's Pension Program.

7. CONFIDENTIALITY. Employer and its Affiliates are engaged in the outsourced customer care industry within the U.S. and world wide. Employee acknowledges that in the course of employment with the Employer, Employee will be entrusted with or obtain access to information proprietary to the Employer and its Affiliates with respect to the following (all of which information is referred to hereinafter collectively as the "Information"); the organization and management of Employer and its Affiliates; the names, addresses, buying habits, and other special information regarding past, present and potential customers, employees and suppliers of Employer and its Affiliates; customer and supplier contracts and transactions or price lists of Employer, its Affiliates and their suppliers; products, services, programs and processes sold, licensed or developed by the Employer or its Affiliates; technical data, plans and specifications, present and/or future development projects of Employer and its Affiliates; financial and/or marketing data respecting the conduct of the present or future phases of business of Employer and its Affiliates; computer programs, systems and/or software; ideas, inventions, trademarks, business information, know-how, processes, improvements, designs, redesigns, discoveries and developments of Employer and its Affiliates; and other information considered confidential by any of the Employer, its Affiliates or customers or suppliers of Employer, its Affiliates. Employee agrees to retain the Information in absolute confidence and not to disclose the Information to any person or organization except as required in the performance of Employee's duties for Employer, without the express written consent of Employer; provided that Employee's obligation of confidentiality shall not extend to any Information which becomes generally available to the public other than as a result of disclosure by Employee.

8. NEW DEVELOPMENTS. All ideas, inventions, discoveries, concepts, trademarks, or other developments or improvements, whether patentable or not, conceived by the Employee, alone or with others, at any time during the term of Employee's employment, whether or not during working hours or on Employer's premises, which are within the scope of or related to the business operations of Employer or its Affiliates ("New Developments"), shall be and remain the exclusive property of Employer. Employee shall do all things reasonably necessary to ensure ownership of such New Developments by Employer, including the execution of documents assigning and transferring to Employer, all of Employee's rights, title and interest in and to such New Developments, and the execution of all documents required to enable Employer to file and obtain patents, trademarks, and copyrights in the United States and foreign countries on any of such New Developments.

9. SURRENDER OF MATERIAL UPON TERMINATION. Employee hereby agrees that upon cessation of Employee's employment, for whatever reason and whether voluntary or involuntary, Employee will immediately surrender to Employer all of the property and other things of value in his possession or in the possession of any person or entity under Employee's control that are the property of Employer or any of its Affiliates, including without any limitation all personal notes,

drawings, manuals, documents, photographs, or the like, including copies and derivatives thereof, relating directly or indirectly to any confidential information or materials or New Developments, or relating directly or indirectly to the business of Employer or any of its Affiliates.

10. REMEDIES.

A. Employer and Employee hereby acknowledge and agree that the services rendered by Employee to Employer, the information disclosed to Employee during and by virtue of Employee's employment, and Employee's commitments and obligations to Employer and its Affiliates herein are of a special, unique and extraordinary character, and that the breach of any provision of this Agreement by Employee will cause Employer irreparable injury and damage, and consequently the Employer shall be entitled to, in addition to all other remedies available to it, injunctive and equitable relief to prevent a breach of Sections 7, 8, 9, 11 and 12 of this Agreement and to secure the enforcement of this Agreement.

B. Except as provided in Section 10.A., the parties agree to submit to final and binding arbitration any dispute, claim or controversy, whether for breach of this Agreement or for violation of any of Employee's statutorily created or protected rights, arising between the parties that either party would have been otherwise entitled to file or pursue in court or before any administrative agency (herein "claim"), and waives all right to sue the other party.

(i) This agreement to arbitrate and any resulting arbitration award are enforceable under and subject to the Federal Arbitration Act, 9 U.S.C. Section 1 et seq. ("FAA"). If the FAA is held not to apply for any reason then Ohio Revised Code Chapter 2711 regarding the enforceability of arbitration agreements and awards will govern this Agreement and the arbitration award.

(ii) (a) All of a party's claims must be presented at a single arbitration hearing. Any claim not raised at the arbitration hearing is waived and released. The arbitration hearing will take place in Cincinnati, Ohio.

(b) The arbitration process will be governed by the Employment Dispute Resolution Rules of the American Arbitration Association ("AAA") except to the extent they are modified by this Agreement.

(c) Employee has had an opportunity to review the AAA rules and the requirements that Employee must pay a filing fee for which the Employer has agreed to split on an equal basis.

(d) The arbitrator will be selected from a panel of arbitrators chosen by the AAA in White Plains, New York. After the filing of a Request for Arbitration, the AAA will send simultaneously to Employer and Employee an identical list of names of five persons chosen from the panel. Each party will have 10 days from the transmittal date in which to strike up to two names, number the remaining names in order of preference and return the list to the AAA.

- (e) Any pre-hearing disputes will be presented to the arbitrator for expeditious, final and binding resolution.
- (f) The award of the arbitrator will be in writing and will set forth each issue considered and the arbitrator's finding of fact and conclusions of law as to each such issue.
- (g) The remedy and relief that may be granted by the arbitrator to Employee are limited to lost wages, benefits, cease and desist and affirmative relief, compensatory, liquidated and punitive damages and reasonable attorney's fees, and will not include reinstatement or promotion. If the arbitrator would have awarded reinstatement or promotion, but for the prohibition in this Agreement, the arbitrator may award front pay. The arbitrator may assess to either party, or split, the arbitrator's fee and expenses and the cost of the transcript, if any, in accordance with the arbitrator's determination of the merits of each party's position, but each party will bear any cost for its witnesses and proof.
- (h) Employer and Employee recognize that a primary benefit each derives from arbitration is avoiding the delay and costs normally associated with litigation. Therefore, neither party will be entitled to conduct any discovery prior to the arbitration hearing except that: (i) Employer will furnish Employee with copies of all non-privileged documents in Employee's personnel file; (ii) if the claim is for discharge, Employee will furnish Employer with records of earnings and benefits relating to Employee's subsequent employment (including self-employment) and all documents relating to Employee's efforts to obtain subsequent employment; (iii) the parties will exchange copies of all documents they intend to introduce as evidence at the arbitration hearing at least 10 days prior to such hearing; (iv) Employee will be allowed (at Employee's expense) to take the depositions, for a period not to exceed four hours each, of two representatives of Employer, and Employer will be allowed (at its expense) to depose Employee for a period not to exceed four hours; and (v) Employer or Employee may ask the arbitrator to grant additional discovery to the extent permitted by AAA rules upon a showing that such discovery is necessary.
- (i) Nothing herein will prevent either party from taking the deposition of any witness where the sole purpose for taking the deposition is to use the deposition in lieu of the witness testifying at the hearing and the witness is, in good faith, unavailable to testify in person at the hearing due to poor health, residency and employment more than 50 miles from the hearing site, conflicting travel plans or other comparable reason.
- (iii) Arbitration must be requested in writing no later than 6 months from the date of the party's knowledge of the matter disputed by the claim. A party's failure to initiate arbitration within the time limits herein will be considered a waiver and release by that party with respect to any claim subject to arbitration under this Agreement.
- (iv) Employer and Employee consent that judgment upon the arbitration award may be entered in any federal or state court that has jurisdiction.

(v) Except as provided in Section 10.A., neither party will commence or pursue any litigation on any claim that is or was subject to arbitration under this Agreement.

(vi) All aspects of any arbitration procedure under this Agreement, including the hearing and the record of the proceedings, are confidential and will not be open to the public, except to the extent the parties agree otherwise in writing, or as may be appropriate in any subsequent proceedings between the parties, or as may otherwise be appropriate in response to a governmental agency or legal process.

11. COVENANT NOT TO COMPETE. For purposes of this Section 11 only, the term "Employer" shall mean, collectively, Employer and each of its Affiliates. During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee will not engage in any business offering services related to the current business of Employer, whether as a principal, partner, joint venturer, agent, employee, salesman, consultant, director or officer, where such position would involve Employee (i) in any business activity in competition with Employer; (ii) in any position with any customer of Employer which involves such customer's billing and/or billing related systems or; or (iii) in any business that provides billing and/or billing related systems to third parties engaged in the communication business (including wireless, wireline and cable communication businesses). This restriction will be limited to the geographical area where Employer is then engaged in such competing business activity or to such other geographical area as a court shall find reasonably necessary to protect the goodwill and business of the Employer.

During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee will not interfere with or adversely affect, either directly or indirectly, Employer's relationships with any person, firm, association, corporation or other entity which is known by Employee to be, or is included on any listing to which Employee had access during the course of employment as a customer, client, supplier, consultant or employee of Employer and that Employee will not divert or change, or attempt to divert or change, any such relationship to the detriment of Employer or to the benefit of any other person, firm, association, corporation or other entity.

During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee shall not, without the prior written consent of Employer, accept employment, as an employee, consultant, or otherwise, with any company or entity which is a customer or supplier of Employer at any time during the final year of Employee's employment with Employer.

Employee will not, during or at any time within three years after the termination of Employee's employment with Employer, induce or seek to induce, any other employee of Employer to terminate his or her employment relationship with Employer.

12. GOODWILL. Employee will not disparage Employer or any of its Affiliates in any way which could adversely affect the goodwill, reputation and business relationships of Employer or any of its Affiliates with the public generally, or with any of their customers, suppliers or employees. Employer will not disparage Employee.

13. TERMINATION.

A. (i) Employer or Employee may terminate this Agreement upon Employee's failure or inability to perform the services required hereunder because of any physical or mental infirmity for which Employee receives disability benefits under any disability benefit plans made available to Employee by Employer (the "Disability Plans"), over a period of one hundred twenty consecutive working days during any twelve consecutive month period (a "Terminating Disability").

(ii) If Employer or Employee elects to terminate this Agreement in the event of a Terminating Disability, such termination shall be effective immediately upon the giving of written notice by the terminating party to the other.

(iii) Upon termination of this Agreement on account of Terminating Disability, Employer shall pay Employee Employee's accrued compensation hereunder, whether Base Salary, Bonus or otherwise (subject to offset for any amounts received pursuant to the Disability Plans), to the date of termination. For as long as such Terminating Disability may exist, Employee shall continue to be an employee of Employer for all other purposes and Employer shall provide Employee with disability benefits and all other benefits according to the provisions of the Disability Plans and any other Employer plans in which Employee is then participating.

(iv) If the parties elect not to terminate this Agreement upon an event of a Terminating Disability and Employee returns to active employment with Employer prior to such a termination, or if such disability exists for less than one hundred twenty consecutive working days, the provisions of this Agreement shall remain in full force and effect.

B. This Agreement terminates immediately and automatically on the death of the Employee, provided, however, that the Employee's estate shall be paid Employee's accrued compensation hereunder, whether Base Salary, Bonus or otherwise, to the date of death.

C. Employer may terminate this Agreement immediately, upon written notice to Employee, for Cause. For purposes of this Agreement, Employer shall have "Cause" to terminate this Agreement only if Employer's Board of Directors determines that there has been fraud, misappropriation or embezzlement on the part of Employee.

D. Employer may terminate this Agreement immediately, upon written notice to Employee, for any reason other than those set forth in Sections 13.A., B. and C.; provided, however, that Employer shall have no right to terminate under this Section 13.D. within two years after a Change in Control. In the event of a termination by Employer under this Section 13.D., Employer shall, within five days after the termination, pay Employee an amount equal to

the greater of (i) two times the sum of the annual Base Salary rate in effect at the time of termination plus the Bonus target in effect at the time of termination or (ii) if the Current Term is longer than two years, the sum of the Base Salary for the remainder of the Current Term (at the rate in effect at the time of termination) plus the Bonus targets (at the amount in effect at the time of termination) for each calendar year commencing or ending during the remainder of the Current Term (subject to proration in the case of any calendar year ending after the Current Term). For the remainder of the Current Term, Employer shall continue to provide Employee with medical, dental, vision and life insurance coverage comparable to the medical, dental, vision and life insurance coverage in effect for Employee immediately prior to the termination; and, to the extent that Employee would have been eligible for any post-retirement medical, dental, vision or life insurance benefits from Employer if Employee had continued in employment through the end of the Current Term, Employer shall provide such post-retirement benefits to Employee after the end of the Current Term. For purposes of any stock option or restricted stock grant outstanding immediately prior to the termination, Employee's employment with Employer shall not be deemed to have terminated until the end of the Current Term. In addition, Employee shall be entitled to receive, as soon as practicable after termination, an amount equal to the sum of (i) any forfeitable benefits under any qualified or nonqualified pension, profit sharing, 401(k) or deferred compensation plan of Employer or any Affiliate which would have vested prior to the end of the Current Term if Employee's employment had not terminated plus (ii) if Employee is participating in a qualified or nonqualified defined benefit plan of Employer or any Affiliate at the time of termination, an amount equal to the present value of the additional vested benefits which would have accrued for Employee under such plan if Employee's employment had not terminated prior to the end of the Current Term and if Employee's annual Base Salary and Bonus target had neither increased nor decreased after the termination. For purposes of this

Section 13.D., "Current Term" means the longer of (i) the two year period beginning at the time of termination or (ii) the unexpired term of this Agreement at the time of the termination, determined as provided in Section 2 but assuming that there is no automatic extension of the Agreement term after the termination. For purposes of this Section 13.D. and Section 13.E., "Change in Control" means a change in control as defined in Employer's 1998 Long Term Incentive Plan.

G. This Agreement shall terminate automatically in the event that there is a Change in Control and either (i) Employee elects to resign within 90 days after the Change in Control or (ii) Employee's employment with Employer is actually or constructively terminated by Employer within two years after the Change in Control for any reason other than those set forth in Sections 13.A., B. and C. For purposes of the preceding sentence, a "constructive" termination of Employee's employment shall be deemed to have occurred if, without Employee's consent, there is a material reduction in Employee's authority or responsibilities or if there is a reduction in Employee's Base Salary or Bonus target from the amount in effect immediately prior to the Change in Control or if Employee is required by Employer to relocate from the city where Employee is residing immediately prior to the Change in Control. In the event of a termination under this Section 13.E., Employer shall pay Employee an amount equal to three times the sum of the annual Base Salary rate in effect at the time of termination plus the Bonus target in effect at the time of termination, all stock options shall become immediately exercisable (and Employee shall be afforded the opportunity to exercise them), the restrictions applicable to all restricted

stock shall lapse and any long term awards shall be paid out at target. For the remainder of the Current Term, Employer shall continue to provide Employee with medical, dental, vision and life insurance coverage comparable to the medical, dental, vision and life insurance coverage in effect for Employee immediately prior to the termination; and, to the extent that Employee would have been eligible for any post-retirement medical, dental, vision or life insurance benefits from Employer if Employee had continued in employment through the end of the Current Term, Employer shall provide such post-retirement benefits to Employee after the end of the Current Term. Employee's accrued benefit under any nonqualified pension or deferred compensation plan maintained by Employer or any Affiliate shall become immediately vested and nonforfeitable and Employee also shall be entitled to receive a payment equal to the sum of (i) any forfeitable benefits under any qualified pension or profit sharing or 401(k) plan maintained by Employer or any Affiliate plus (ii) if Employee is participating in a qualified or nonqualified defined benefit plan of Employer or any Affiliate at the time of termination, an amount equal to the present value of the additional benefits which would have accrued for Employee under such plan if Employee's employment had not terminated prior to the end of the Current Term and if Employee's annual Base Salary and Bonus target had neither increased nor decreased after the termination. Finally, to the extent that Employee is deemed to have received an excess parachute payment by reason of the Change in Control, Employer shall pay Employee an additional sum sufficient to pay

(i) any taxes imposed under section 4999 of the Code plus (ii) any federal, state and local taxes applicable to any taxes imposed under section 4999 of the Code. For purposes of this Section 13.E., "Current Term" means the longer of (i) the three year period beginning at the time of termination or (ii) the unexpired term of this Agreement at the time of the termination, determined as provided in Section 2 but assuming that there is no automatic extension of the Agreement term after the termination.

F. Employee may resign upon 60 days' prior written notice to Employer. In the event of a resignation under this Section 13.F., this Agreement shall terminate and Employee shall be entitled to receive Employee's Base Salary through the date of termination, any Bonus earned but not paid at the time of termination and any other vested compensation or benefits called for under any compensation plan or program of Employer.

G. Employee may retire upon six months' prior written notice to Employer at any time after Employee has attained age 55 and completed at least ten years of service with Employer and its Affiliates. For purposes of the preceding sentence, service with Cincinnati Bell Inc. and its subsidiaries prior to the Effective Date shall be deemed to be service with Employer. In the event of a retirement under this Section 13.G., this Agreement shall terminate and Employee shall be entitled to receive Employee's Base Salary through the date of termination and any Bonus earned but not paid at the time of termination. In addition, Employee shall be entitled to receive any compensation or benefits made available to retirees under Employer's standard policies and programs, including retiree medical and life insurance benefits, a prorated Bonus for the year of termination, and the right to exercise options after retirement.

H. Upon termination of this Agreement as a result of an event of termination described in this Section 13 and except for Employer's payment of the required payments under this Section 13 (including any Base Salary accrued through the date of termination, any Bonus

earned for the year preceding the year in which the termination occurs and any nonforfeitable amounts payable under any employee plan), all further compensation under this Agreement shall terminate.

I. The termination of this Agreement shall not amend, alter or modify the rights and obligations of the parties under Sections 7, 8, 9, 10, 11, and 12 hereof, the terms of which shall survive the termination of this Agreement.

14. **ASSIGNMENT.** As this is an agreement for personal services involving a relation of confidence and a trust between Employer and Employee, all rights and duties of Employee arising under this Agreement, and the Agreement itself, are non-assignable by Employee.

15. **NOTICES.** Any notice required or permitted to be given under this Agreement shall be sufficient, if in writing, and if delivered personally or by certified mail to Employee at Employee's place of residence as then recorded on the books of Employer or to Employer at its principal office.

16. **WAIVER.** No waiver or modification of this Agreement or the terms contained herein shall be valid unless in writing and duly executed by the party to be charged therewith. The waiver by any party hereto of a breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach by such party.

17. **GOVERNING LAW.** This agreement shall be governed by the laws of the State of Ohio.

18. **ENTIRE AGREEMENT.** This Agreement contains the entire agreement of the parties with respect to Employee's employment by Employer. There are no other contracts, agreements or understandings, whether oral or written, existing between them except as contained or referred to in this Agreement.

19. **SEVERABILITY.** In case any one or more of the provisions of this Agreement is held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or other enforceability shall not affect any other provisions hereof, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provisions have never been contained herein.

20. **SUCCESSORS AND ASSIGNS.** Subject to the requirements of Paragraph 14 above, this Agreement shall be binding upon Employee, Employer and Employer's successors and assigns.

21. **CONFIDENTIALITY OF AGREEMENT TERMS.** The terms of this Agreement shall be held in strict confidence by Employee and shall not be disclosed by Employee to anyone other than Employee's spouse, Employee's legal counsel, and Employee's other advisors, unless required by law. Further, except as provided in the preceding sentence, Employee shall not reveal the existence of this Agreement or discuss its terms with any person (including but not limited to any employee of Employer or its Affiliates) without the express authorization of the President of Employer. To the extent that the terms of this Agreement have been disclosed by Employer, in a public filing or otherwise, the confidentiality requirements of this Section 21 shall no longer

apply to such terms.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

CONVERGYS CORPORATION

By:

EMPLOYEE

Steven G. Rolls

Attachment B

EMPLOYEE BENEFITS

Automobile Allowance	\$850 per month
Cellular Telephone	Yes
Executive Deferred Compensation Plan	Yes
Group Accident Life	\$500,000
Legal/Financial/Insurance Allowance	\$7,500 per year
Parking	Yes
Annual Physical	Yes
Short Term Disability Supplement	Yes
Travel Insurance (Spouse)	\$50,000
Vacation year	5 weeks per

AMENDMENT TO EMPLOYMENT AGREEMENT

The Employment Agreement between Convergys Corporation ("Employer") and Steven G. Rolls ("Employee"), made as of June 1, 1998, is hereby amended in the following respects:

3. Section 4.A. is hereby amended to read as follows:

A. Employee shall receive a base salary (the "Base Salary") of at least \$320,000 per year, payable not less frequently than monthly, for each year after 1998 during the term of this Agreement, subject to proration for any partial year. Such Base Salary, and all other amounts payable under this Agreement, shall be subject to withholding as required by law.

2. Section 4.B. is hereby amended to read as follows:

B. In addition to the Base Salary, Employee shall be entitled to receive an annual bonus (the "Bonus") for each calendar year for which services are performed under this Agreement. Any Bonus for a calendar year shall be payable after the conclusion of the calendar year in accordance with Employer's regular bonus payment policies. The Bonus target for the period from June 1, 1998 through December 31, 1998 shall be \$79,151 (\$135,000 on an annualized basis). Each year after 1998, Employee shall be given a minimum Bonus target, by Employer's Compensation Committee, of not less than \$100,000, subject to proration for a partial year.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed on December ____, 1998.

CONVERGYS CORPORATION

By:

Steven G. Rolls

**EXHIBIT 10.11
TO
FORM 10-K FOR 1998**

EMPLOYMENT AGREEMENT

This Agreement is made as of the Effective Date between Convergys Corporation, an Ohio corporation ("Employer"), and Robert J. Marino ("Employee"). For purposes of this Agreement, "Effective Date" means the date on which the initial public offering of Employer's common shares is closed.

Employer and Employee agree as follows:

1. **EMPLOYMENT.** By this Agreement, Employer and Employee set forth the terms of Employer's employment of Employee on and after the Effective Date. Any prior agreements or understandings with respect to Employee's employment by Employer, including Employee's Employment Agreement with Cincinnati Bell Information Systems Inc. dated October 1, 1995, are canceled as of the Effective Date.
2. **TERM OF AGREEMENT.** The term of this Agreement initially shall be the four year period commencing on the Effective Date. On the third anniversary of the Effective Date and on each subsequent anniversary of the Effective Date, the term of this Agreement automatically shall be extended for a period of one additional year. Notwithstanding the foregoing, the term of this Agreement is subject to termination as provided in Section 13.
3. **DUTIES.**
 - A. Employee will serve as President of Information Services Group or in such other equivalent capacity as may be designated by the President of Employer. Employee will report to the President or Chief Operating Officer of Employer.
 - B. Employee shall furnish such managerial, executive, financial, technical, and other skills, advice, and assistance in operating Employer and its Affiliates as Employer may reasonably request. For purposes of this Agreement, "Affiliate" means each corporation which is a member of a controlled group of corporations (within the meaning of section 1563(a) of the Internal Revenue Code of 1986, as amended (the "Code")) which includes Employer.
 - C. Employee shall also perform such other duties as are reasonably assigned to Employee by the President of Employer.
 - D. Employee shall devote Employee's entire time, attention, and energies to the business of Employer and its Affiliates. The words "entire time, attention, and energies" are intended to mean that Employee shall devote Employee's full effort during reasonable working hours to the business of Employer and its Affiliates and shall devote at least 40 hours per week to the business of Employer and its Affiliates. Employee shall travel to such places as are necessary

in the performance of Employee's duties.

4. COMPENSATION.

A. Employee shall receive a base salary (the "Base Salary") of at least \$305,000 per year, payable not less frequently than monthly, for each year during the term of this Agreement, subject to proration for any partial year. Such Base Salary, and all other amounts payable under this Agreement, shall be subject to withholding as required by law.

B. In addition to the Base Salary, Employee shall be entitled to receive an annual bonus (the "Bonus") for each calendar year for which services are performed under this Agreement. Any Bonus for a calendar year shall be payable after the conclusion of the calendar year in accordance with Employer's regular bonus payment policies. Each year, Employee shall be given a Bonus target, by Employer's Compensation Committee, of not less than \$160,000, subject to proration for a partial year.

C. On at least an annual basis, Employee shall receive a formal performance review and be considered for Base Salary and/or Bonus target increases.

5. EXPENSES. All reasonable and necessary expenses incurred by Employee in the course of the performance of Employee's duties to Employer shall be reimbursable in accordance with Employer's then current travel and expense policies.

6. BENEFITS.

A. While Employee remains in the employ of Employer, Employee shall be entitled to participate in all of the various employee benefit plans and programs, or equivalent plans and programs, set forth in Attachment B.

B. Notwithstanding anything contained herein to the contrary, the Base Salary and Bonuses otherwise payable to Employee shall be reduced by any benefits paid to Employee by Employer under any disability plans made available to Employee by Employer.

C. As of the Effective Date, Employee shall be granted options to purchase 100,000 common shares of Employer under Employer's 1998 Long Term Incentive Plan. In each year of this Agreement after 1998, Employee will be granted stock options under Employer's 1998 Long Term Incentive Plan or any similar plan made available to employees of Employer.

D. As of the Effective Date, Employee shall receive a restricted stock award of 50,000 common shares of Employer. Such award shall be made under Employer's 1998 Long Term Incentive Plan on the terms set forth in Attachment A.

E. In each year of this Agreement after 1998, Employee will be given a long term incentive target under Employer's 1998 Long Term Incentive Plan. In no event will the value of Executive's long term incentives (stock options and performance share targets) for any year, as

determined by Employer's Compensation Committee, be less than \$316,000.

F. As long as Employee remains employed under this Agreement, Employee shall be entitled to participate in Employer's Pension Program.

7. CONFIDENTIALITY. Employer and its Affiliates are engaged in the outsourced customer care industry within the U.S. and world wide. Employee acknowledges that in the course of employment with the Employer, Employee will be entrusted with or obtain access to information proprietary to the Employer and its Affiliates with respect to the following (all of which information is referred to hereinafter collectively as the "Information"); the organization and management of Employer and its Affiliates; the names, addresses, buying habits, and other special information regarding past, present and potential customers, employees and suppliers of Employer and its Affiliates; customer and supplier contracts and transactions or price lists of Employer, its Affiliates and their suppliers; products, services, programs and processes sold, licensed or developed by the Employer or its Affiliates; technical data, plans and specifications, present and/or future development projects of Employer and its Affiliates; financial and/or marketing data respecting the conduct of the present or future phases of business of Employer and its Affiliates; computer programs, systems and/or software; ideas, inventions, trademarks, business information, know-how, processes, improvements, designs, redesigns, discoveries and developments of Employer and its Affiliates; and other information considered confidential by any of the Employer, its Affiliates or customers or suppliers of Employer, its Affiliates. Employee agrees to retain the Information in absolute confidence and not to disclose the Information to any person or organization except as required in the performance of Employee's duties for Employer, without the express written consent of Employer; provided that Employee's obligation of confidentiality shall not extend to any Information which becomes generally available to the public other than as a result of disclosure by Employee.

8. NEW DEVELOPMENTS. All ideas, inventions, discoveries, concepts, trademarks, or other developments or improvements, whether patentable or not, conceived by the Employee, alone or with others, at any time during the term of Employee's employment, whether or not during working hours or on Employer's premises, which are within the scope of or related to the business operations of Employer or its Affiliates ("New Developments"), shall be and remain the exclusive property of Employer. Employee shall do all things reasonably necessary to ensure ownership of such New Developments by Employer, including the execution of documents assigning and transferring to Employer, all of Employee's rights, title and interest in and to such New Developments, and the execution of all documents required to enable Employer to file and obtain patents, trademarks, and copyrights in the United States and foreign countries on any of such New Developments.

9. SURRENDER OF MATERIAL UPON TERMINATION. Employee hereby agrees that upon cessation of Employee's employment, for whatever reason and whether voluntary or involuntary, Employee will immediately surrender to Employer all of the property and other things of value in his possession or in the possession of any person or entity under Employee's control that are the property of Employer or any of its Affiliates, including without any limitation all personal notes, drawings, manuals, documents, photographs, or the like, including copies and derivatives thereof,

relating directly or indirectly to any confidential information or materials or New Developments, or relating directly or indirectly to the business of Employer or any of its Affiliates.

10. REMEDIES.

A. Employer and Employee hereby acknowledge and agree that the services rendered by Employee to Employer, the information disclosed to Employee during and by virtue of Employee's employment, and Employee's commitments and obligations to Employer and its Affiliates herein are of a special, unique and extraordinary character, and that the breach of any provision of this Agreement by Employee will cause Employer irreparable injury and damage, and consequently the Employer shall be entitled to, in addition to all other remedies available to it, injunctive and equitable relief to prevent a breach of Sections 7, 8, 9, 11 and 12 of this Agreement and to secure the enforcement of this Agreement.

B. Except as provided in Section 10.A., the parties agree to submit to final and binding arbitration any dispute, claim or controversy, whether for breach of this Agreement or for violation of any of Employee's statutorily created or protected rights, arising between the parties that either party would have been otherwise entitled to file or pursue in court or before any administrative agency (herein "claim"), and waives all right to sue the other party.

(i) This agreement to arbitrate and any resulting arbitration award are enforceable under and subject to the Federal Arbitration Act, 9 U.S.C. Section 1 et seq. ("FAA"). If the FAA is held not to apply for any reason then Ohio Revised Code Chapter 2711 regarding the enforceability of arbitration agreements and awards will govern this Agreement and the arbitration award.

(ii) (a) All of a party's claims must be presented at a single arbitration hearing. Any claim not raised at the arbitration hearing is waived and released. The arbitration hearing will take place in Cincinnati, Ohio.

(b) The arbitration process will be governed by the Employment Dispute Resolution Rules of the American Arbitration Association ("AAA") except to the extent they are modified by this Agreement.

(c) Employee has had an opportunity to review the AAA rules and the requirements that Employee must pay a filing fee for which the Employer has agreed to split on an equal basis.

(d) The arbitrator will be selected from a panel of arbitrators chosen by the AAA in White Plains, New York. After the filing of a Request for Arbitration, the AAA will send simultaneously to Employer and Employee an identical list of names of five persons chosen from the panel. Each party will have 10 days from the transmittal date in which to strike up to two names, number the remaining names in order of preference and return the list to the AAA.

(e) Any pre-hearing disputes will be presented to the arbitrator for

expeditious, final and binding resolution.

(f) The award of the arbitrator will be in writing and will set forth each issue considered and the arbitrator's finding of fact and conclusions of law as to each such issue.

(g) The remedy and relief that may be granted by the arbitrator to Employee are limited to lost wages, benefits, cease and desist and affirmative relief, compensatory, liquidated and punitive damages and reasonable attorney's fees, and will not include reinstatement or promotion. If the arbitrator would have awarded reinstatement or promotion, but for the prohibition in this Agreement, the arbitrator may award front pay. The arbitrator may assess to either party, or split, the arbitrator's fee and expenses and the cost of the transcript, if any, in accordance with the arbitrator's determination of the merits of each party's position, but each party will bear any cost for its witnesses and proof.

(h) Employer and Employee recognize that a primary benefit each derives from arbitration is avoiding the delay and costs normally associated with litigation. Therefore, neither party will be entitled to conduct any discovery prior to the arbitration hearing except that: (i) Employer will furnish Employee with copies of all non-privileged documents in Employee's personnel file; (ii) if the claim is for discharge, Employee will furnish Employer with records of earnings and benefits relating to Employee's subsequent employment (including self-employment) and all documents relating to Employee's efforts to obtain subsequent employment; (iii) the parties will exchange copies of all documents they intend to introduce as evidence at the arbitration hearing at least 10 days prior to such hearing; (iv) Employee will be allowed (at Employee's expense) to take the depositions, for a period not to exceed four hours each, of two representatives of Employer, and Employer will be allowed (at its expense) to depose Employee for a period not to exceed four hours; and (v) Employer or Employee may ask the arbitrator to grant additional discovery to the extent permitted by AAA rules upon a showing that such discovery is necessary.

(i) Nothing herein will prevent either party from taking the deposition of any witness where the sole purpose for taking the deposition is to use the deposition in lieu of the witness testifying at the hearing and the witness is, in good faith, unavailable to testify in person at the hearing due to poor health, residency and employment more than 50 miles from the hearing site, conflicting travel plans or other comparable reason.

(iii) Arbitration must be requested in writing no later than 6 months from the date of the party's knowledge of the matter disputed by the claim. A party's failure to initiate arbitration within the time limits herein will be considered a waiver and release by that party with respect to any claim subject to arbitration under this Agreement.

(iv) Employer and Employee consent that judgment upon the arbitration award may be entered in any federal or state court that has jurisdiction.

(v) Except as provided in Section 10.A., neither party will commence or

pursue any litigation on any claim that is or was subject to arbitration under this Agreement.

(vi) All aspects of any arbitration procedure under this Agreement, including the hearing and the record of the proceedings, are confidential and will not be open to the public, except to the extent the parties agree otherwise in writing, or as may be appropriate in any subsequent proceedings between the parties, or as may otherwise be appropriate in response to a governmental agency or legal process.

11. COVENANT NOT TO COMPETE. For purposes of this Section 11 only, the term "Employer" shall mean, collectively, Employer and each of its Affiliates. During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee will not engage in any business offering services related to the current business of Employer, whether as a principal, partner, joint venturer, agent, employee, salesman, consultant, director or officer, where such position would involve Employee (i) in any business activity in competition with Employer; (ii) in any position with any customer of Employer which involves such customer's billing and/or billing related systems or; or (iii) in any business that provides billing and/or billing related systems to third parties engaged in the communication business (including wireless, wireline and cable communication businesses). This restriction will be limited to the geographical area where Employer is then engaged in such competing business activity or to such other geographical area as a court shall find reasonably necessary to protect the goodwill and business of the Employer.

During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee will not interfere with or adversely affect, either directly or indirectly, Employer's relationships with any person, firm, association, corporation or other entity which is known by Employee to be, or is included on any listing to which Employee had access during the course of employment as a customer, client, supplier, consultant or employee of Employer and that Employee will not divert or change, or attempt to divert or change, any such relationship to the detriment of Employer or to the benefit of any other person, firm, association, corporation or other entity.

During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee shall not, without the prior written consent of Employer, accept employment, as an employee, consultant, or otherwise, with any company or entity which is a customer or supplier of Employer at any time during the final year of Employee's employment with Employer.

Employee will not, during or at any time within three years after the termination of Employee's employment with Employer, induce or seek to induce, any other employee of Employer to terminate his or her employment relationship with Employer.

12. GOODWILL. Employee will not disparage Employer or any of its Affiliates in any way

which could adversely affect the goodwill, reputation and business relationships of Employer or any of its Affiliates with the public generally, or with any of their customers, suppliers or employees. Employer will not disparage Employee.

13. TERMINATION.

A. (i) Employer or Employee may terminate this Agreement upon Employee's failure or inability to perform the services required hereunder because of any physical or mental infirmity for which Employee receives disability benefits under any disability benefit plans made available to Employee by Employer (the "Disability Plans"), over a period of one hundred twenty consecutive working days during any twelve consecutive month period (a "Terminating Disability").

(ii) If Employer or Employee elects to terminate this Agreement in the event of a Terminating Disability, such termination shall be effective immediately upon the giving of written notice by the terminating party to the other.

(iii) Upon termination of this Agreement on account of Terminating Disability, Employer shall pay Employee Employee's accrued compensation hereunder, whether Base Salary, Bonus or otherwise (subject to offset for any amounts received pursuant to the Disability Plans), to the date of termination. For as long as such Terminating Disability may exist, Employee shall continue to be an employee of Employer for all other purposes and Employer shall provide Employee with disability benefits and all other benefits according to the provisions of the Disability Plans and any other Employer plans in which Employee is then participating.

(iv) If the parties elect not to terminate this Agreement upon an event of a Terminating Disability and Employee returns to active employment with Employer prior to such a termination, or if such disability exists for less than one hundred twenty consecutive working days, the provisions of this Agreement shall remain in full force and effect.

B. This Agreement terminates immediately and automatically on the death of the Employee, provided, however, that the Employee's estate shall be paid Employee's accrued compensation hereunder, whether Base Salary, Bonus or otherwise, to the date of death.

C. Employer may terminate this Agreement immediately, upon written notice to Employee, for Cause. For purposes of this Agreement, Employer shall have "Cause" to terminate this Agreement only if Employer's Board of Directors determines that there has been fraud, misappropriation or embezzlement on the part of Employee.

D. Employer may terminate this Agreement immediately, upon written notice to Employee, for any reason other than those set forth in Sections 13.A., B. and C.; provided, however, that Employer shall have no right to terminate under this Section 13.D. within two years after a Change in Control. In the event of a termination by Employer under this Section 13.D., Employer shall, within five days after the termination, pay Employee an amount equal to the greater of (i) two times the sum of the annual Base Salary rate in effect at the time of

termination plus the Bonus target in effect at the time of termination or

(ii) if the Current Term is longer than two years, the sum of the Base Salary for the remainder of the Current Term (at the rate in effect at the time of termination) plus the Bonus targets (at the amount in effect at the time of termination) for each calendar year commencing or ending during the remainder of the Current Term (subject to proration in the case of any calendar year ending after the Current Term). For the remainder of the Current Term, Employer shall continue to provide Employee with medical, dental, vision and life insurance coverage comparable to the medical, dental, vision and life insurance coverage in effect for Employee immediately prior to the termination; and, to the extent that Employee would have been eligible for any post-retirement medical, dental, vision or life insurance benefits from Employer if Employee had continued in employment through the end of the Current Term, Employer shall provide such post-retirement benefits to Employee after the end of the Current Term. For purposes of any stock option or restricted stock grant outstanding immediately prior to the termination, Employee's employment with Employer shall not be deemed to have terminated until the end of the Current Term. In addition, Employee shall be entitled to receive, as soon as practicable after termination, an amount equal to the sum of (i) any forfeitable benefits under any qualified or nonqualified pension, profit sharing, 401(k) or deferred compensation plan of Employer or any Affiliate which would have vested prior to the end of the Current Term if Employee's employment had not terminated plus (ii) if Employee is participating in a qualified or nonqualified defined benefit plan of Employer or any Affiliate at the time of termination, an amount equal to the present value of the additional vested benefits which would have accrued for Employee under such plan if Employee's employment had not terminated prior to the end of the Current Term and if Employee's annual Base Salary and Bonus target had neither increased nor decreased after the termination. For purposes of this

Section 13.D., "Current Term" means the longer of (i) the two year period beginning at the time of termination or (ii) the unexpired term of this Agreement at the time of the termination, determined as provided in Section 2 but assuming that there is no automatic extension of the Agreement term after the termination. For purposes of this Section 13.D. and Section 13.E., "Change in Control" means a change in control as defined in Employer's 1998 Long Term Incentive Plan.

H. This Agreement shall terminate automatically in the event that there is a Change in Control and either (i) Employee elects to resign within 90 days after the Change in Control or (ii) Employee's employment with Employer is actually or constructively terminated by Employer within two years after the Change in Control for any reason other than those set forth in Sections 13.A., B. and C. For purposes of the preceding sentence, a "constructive" termination of Employee's employment shall be deemed to have occurred if, without Employee's consent, there is a material reduction in Employee's authority or responsibilities or if there is a reduction in Employee's Base Salary or Bonus target from the amount in effect immediately prior to the Change in Control or if Employee is required by Employer to relocate from the city where Employee is residing immediately prior to the Change in Control. In the event of a termination under this Section 13.E., Employer shall pay Employee an amount equal to three times the sum of the annual Base Salary rate in effect at the time of termination plus the Bonus target in effect at the time of termination, all stock options shall become immediately exercisable (and Employee shall be afforded the opportunity to exercise them), the restrictions applicable to all restricted stock shall lapse and any long term awards shall be paid out at target. For the remainder of the

Current Term, Employer shall continue to provide Employee with medical, dental, vision and life insurance coverage comparable to the medical, dental, vision and life insurance coverage in effect for Employee immediately prior to the termination; and, to the extent that Employee would have been eligible for any post-retirement medical, dental, vision or life insurance benefits from Employer if Employee had continued in employment through the end of the Current Term, Employer shall provide such post-retirement benefits to Employee after the end of the Current Term. Employee's accrued benefit under any nonqualified pension or deferred compensation plan maintained by Employer or any Affiliate shall become immediately vested and nonforfeitable and Employee also shall be entitled to receive a payment equal to the sum of (i) any forfeitable benefits under any qualified pension or profit sharing or 401(k) plan maintained by Employer or any Affiliate plus (ii) if Employee is participating in a qualified or nonqualified defined benefit plan of Employer or any Affiliate at the time of termination, an amount equal to the present value of the additional benefits which would have accrued for Employee under such plan if Employee's employment had not terminated prior to the end of the Current Term and if Employee's annual Base Salary and Bonus target had neither increased nor decreased after the termination. Finally, to the extent that Employee is deemed to have received an excess parachute payment by reason of the Change in Control, Employer shall pay Employee an additional sum sufficient to pay (i) any taxes imposed under section 4999 of the Code plus (ii) any federal, state and local taxes applicable to any taxes imposed under section 4999 of the Code. For purposes of this Section 13.E., "Current Term" means the longer of (i) the three year period beginning at the time of termination or (ii) the unexpired term of this Agreement at the time of the termination, determined as provided in Section 2 but assuming that there is no automatic extension of the Agreement term after the termination.

F. Employee may resign upon 60 days' prior written notice to Employer. In the event of a resignation under this Section 13.F., this Agreement shall terminate and Employee shall be entitled to receive Employee's Base Salary through the date of termination, any Bonus earned but not paid at the time of termination and any other vested compensation or benefits called for under any compensation plan or program of Employer.

G. Employee may retire upon six months' prior written notice to Employer at any time after Employee has attained age 55 and completed at least ten years of service with Employer and its Affiliates. For purposes of the preceding sentence, service with Cincinnati Bell Inc. and its subsidiaries prior to the Effective Date shall be deemed to be service with Employer. In the event of a retirement under this Section 13.G., this Agreement shall terminate and Employee shall be entitled to receive Employee's Base Salary through the date of termination and any Bonus earned but not paid at the time of termination. In addition, Employee shall be entitled to receive any compensation or benefits made available to retirees under Employer's standard policies and programs, including retiree medical and life insurance benefits, a prorated Bonus for the year of termination, and the right to exercise options after retirement.

H. Upon termination of this Agreement as a result of an event of termination described in this Section 13 and except for Employer's payment of the required payments under this Section 13 (including any Base Salary accrued through the date of termination, any Bonus

earned for the year preceding the year in which the termination occurs and any nonforfeitable amounts payable under any employee plan), all further compensation under this Agreement shall terminate.

I. The termination of this Agreement shall not amend, alter or modify the rights and obligations of the parties under Sections 7, 8, 9, 10, 11, and 12 hereof, the terms of which shall survive the termination of this Agreement.

14. ASSIGNMENT. As this is an agreement for personal services involving a relation of confidence and a trust between Employer and Employee, all rights and duties of Employee arising under this Agreement, and the Agreement itself, are non-assignable by Employee.

15. NOTICES. Any notice required or permitted to be given under this Agreement shall be sufficient, if in writing, and if delivered personally or by certified mail to Employee at Employee's place of residence as then recorded on the books of Employer or to Employer at its principal office.

16. WAIVER. No waiver or modification of this Agreement or the terms contained herein shall be valid unless in writing and duly executed by the party to be charged therewith. The waiver by any party hereto of a breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach by such party.

17. GOVERNING LAW. This agreement shall be governed by the laws of the State of Ohio.

18. ENTIRE AGREEMENT. This Agreement contains the entire agreement of the parties with respect to Employee's employment by Employer. There are no other contracts, agreements or understandings, whether oral or written, existing between them except as contained or referred to in this Agreement.

19. SEVERABILITY. In case any one or more of the provisions of this Agreement is held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or other enforceability shall not affect any other provisions hereof, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provisions have never been contained herein.

20. SUCCESSORS AND ASSIGNS. Subject to the requirements of Paragraph 14 above, this Agreement shall be binding upon Employee, Employer and Employer's successors and assigns.

21. CONFIDENTIALITY OF AGREEMENT TERMS. The terms of this Agreement shall be held in strict confidence by Employee and shall not be disclosed by Employee to anyone other than Employee's spouse, Employee's legal counsel, and Employee's other advisors, unless required by law. Further, except as provided in the preceding sentence, Employee shall not reveal the existence of this Agreement or discuss its terms with any person (including but not limited to any employee of Employer or its Affiliates) without the express authorization of the President of Employer. To the extent that the terms of this Agreement have been disclosed by Employer, in a public filing or otherwise, the confidentiality requirements of this Section 21 shall no longer

apply to such terms.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

CONVERGYS CORPORATION

By:

EMPLOYEE

Robert J. Marino

Attachment B

EMPLOYEE BENEFITS

Automobile Allowance	\$850 per month
Cellular Telephone	Yes
Executive Deferred Compensation Plan	Yes
Group Accident Life	\$500,000
Legal/Financial/Insurance Allowance	\$7,500 per year
Parking	Yes
Annual Physical	Yes
Short Term Disability Supplement	Yes
Travel Insurance (Spouse)	\$50,000
Vacation year	5 weeks per

AMENDMENT TO EMPLOYMENT AGREEMENT

The Employment Agreement between Convergys Corporation ("Employer") and Robert J. Marino ("Employee"), made as of the date on which the initial public offering of Employer's common shares was closed, is hereby amended in the following respects:

4. Section 4.A. is hereby amended to read as follows:

A. Employee shall receive a base salary (the "Base Salary") of at least \$360,000 per year, payable not less frequently than monthly, for each year after 1998 during the term of this Agreement, subject to proration for any partial year. Such Base Salary, and all other amounts payable under this Agreement, shall be subject to withholding as required by law.

2. Section 4.B. is hereby amended to read as follows:

B. In addition to the Base Salary, Employee shall be entitled to receive an annual bonus (the "Bonus") for each calendar year for which services are performed under this Agreement. Any Bonus for a calendar year shall be payable after the conclusion of the calendar year in accordance with Employer's regular bonus payment policies. The Bonus target for the period from August 13, 1998 through December 31, 1998 shall be \$61,808 (\$160,000 on an annualized basis). Each year after 1998, Employee shall be given a minimum Bonus target, by Employer's Compensation Committee, of not less than \$105,000, subject to proration for a partial year.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed on December ____, 1998.

CONVERGYS CORPORATION

By:

Robert J. Marino

**EXHIBIT 10.12
TO
FORM 10-K FOR 1998**

EMPLOYMENT AGREEMENT

This Agreement is made as of the Effective Date between Convergys Corporation, an Ohio corporation ("Employer"), and David F. Dougherty ("Employee"). For purposes of this Agreement, "Effective Date" means the date on which the initial public offering of Employer's common shares is closed.

Employer and Employee agree as follows:

1. **EMPLOYMENT.** By this Agreement, Employer and Employee set forth the terms of Employer's employment of Employee on and after the Effective Date. Any prior agreements or understandings with respect to Employee's employment by Employer, including Employee's Employment Agreement with Cincinnati Bell Inc. dated January 1, 1995, are canceled as of the Effective Date.
2. **TERM OF AGREEMENT.** The term of this Agreement initially shall be the four year period commencing on the Effective Date. On the third anniversary of the Effective Date and on each subsequent anniversary of the Effective Date, the term of this Agreement automatically shall be extended for a period of one additional year. Notwithstanding the foregoing, the term of this Agreement is subject to termination as provided in Section 13.
3. **DUTIES.**
 - A. Employee will serve as President of Teleservices Group or in such other equivalent capacity as may be designated by the President of Employer. Employee will report to the President or Chief Operating Officer of Employer.
 - B. Employee shall furnish such managerial, executive, financial, technical, and other skills, advice, and assistance in operating Employer and its Affiliates as Employer may reasonably request. For purposes of this Agreement, "Affiliate" means each corporation which is a member of a controlled group of corporations (within the meaning of section 1563(a) of the Internal Revenue Code of 1986, as amended (the "Code")) which includes Employer.
 - C. Employee shall also perform such other duties as are reasonably assigned to Employee by the President of Employer.
 - D. Employee shall devote Employee's entire time, attention, and energies to the business of Employer and its Affiliates. The words "entire time, attention, and energies" are intended to mean that Employee shall devote Employee's full effort during reasonable working hours to the business of Employer and its Affiliates and shall devote at least 40 hours per week to the business of Employer and its Affiliates. Employee shall travel to such places as are necessary

in the performance of Employee's duties.

4. COMPENSATION.

A. Employee shall receive a base salary (the "Base Salary") of at least \$305,000 per year, payable not less frequently than monthly, for each year during the term of this Agreement, subject to proration for any partial year. Such Base Salary, and all other amounts payable under this Agreement, shall be subject to withholding as required by law.

B. In addition to the Base Salary, Employee shall be entitled to receive an annual bonus (the "Bonus") for each calendar year for which services are performed under this Agreement. Any Bonus for a calendar year shall be payable after the conclusion of the calendar year in accordance with Employer's regular bonus payment policies. Each year, Employee shall be given a Bonus target, by Employer's Compensation Committee, of not less than \$160,000, subject to proration for a partial year.

C. On at least an annual basis, Employee shall receive a formal performance review and be considered for Base Salary and/or Bonus target increases.

5. EXPENSES. All reasonable and necessary expenses incurred by Employee in the course of the performance of Employee's duties to Employer shall be reimbursable in accordance with Employer's then current travel and expense policies.

6. BENEFITS.

A. While Employee remains in the employ of Employer, Employee shall be entitled to participate in all of the various employee benefit plans and programs, or equivalent plans and programs, set forth in Attachment B.

B. Notwithstanding anything contained herein to the contrary, the Base Salary and Bonuses otherwise payable to Employee shall be reduced by any benefits paid to Employee by Employer under any disability plans made available to Employee by Employer.

C. As of the Effective Date, Employee shall be granted options to purchase 100,000 common shares of Employer under Employer's 1998 Long Term Incentive Plan. In each year of this Agreement after 1998, Employee will be granted stock options under Employer's 1998 Long Term Incentive Plan or any similar plan made available to employees of Employer.

D. As of the Effective Date, Employee shall receive a restricted stock award of 50,000 common shares of Employer. Such award shall be made under Employer's 1998 Long Term Incentive Plan on the terms set forth in Attachment A.

E. In each year of this Agreement after 1998, Employee will be given a long term incentive target under Employer's 1998 Long Term Incentive Plan. In no event will the value of Executive's long term incentives (stock options and performance share targets) for any year, as

determined by Employer's Compensation Committee, be less than \$316,000.

F. As long as Employee remains employed under this Agreement, Employee shall be entitled to participate in Employer's Pension Program.

7. CONFIDENTIALITY. Employer and its Affiliates are engaged in the outsourced customer care industry within the U.S. and world wide. Employee acknowledges that in the course of employment with the Employer, Employee will be entrusted with or obtain access to information proprietary to the Employer and its Affiliates with respect to the following (all of which information is referred to hereinafter collectively as the "Information"); the organization and management of Employer and its Affiliates; the names, addresses, buying habits, and other special information regarding past, present and potential customers, employees and suppliers of Employer and its Affiliates; customer and supplier contracts and transactions or price lists of Employer, its Affiliates and their suppliers; products, services, programs and processes sold, licensed or developed by the Employer or its Affiliates; technical data, plans and specifications, present and/or future development projects of Employer and its Affiliates; financial and/or marketing data respecting the conduct of the present or future phases of business of Employer and its Affiliates; computer programs, systems and/or software; ideas, inventions, trademarks, business information, know-how, processes, improvements, designs, redesigns, discoveries and developments of Employer and its Affiliates; and other information considered confidential by any of the Employer, its Affiliates or customers or suppliers of Employer, its Affiliates. Employee agrees to retain the Information in absolute confidence and not to disclose the Information to any person or organization except as required in the performance of Employee's duties for Employer, without the express written consent of Employer; provided that Employee's obligation of confidentiality shall not extend to any Information which becomes generally available to the public other than as a result of disclosure by Employee.

8. NEW DEVELOPMENTS. All ideas, inventions, discoveries, concepts, trademarks, or other developments or improvements, whether patentable or not, conceived by the Employee, alone or with others, at any time during the term of Employee's employment, whether or not during working hours or on Employer's premises, which are within the scope of or related to the business operations of Employer or its Affiliates ("New Developments"), shall be and remain the exclusive property of Employer. Employee shall do all things reasonably necessary to ensure ownership of such New Developments by Employer, including the execution of documents assigning and transferring to Employer, all of Employee's rights, title and interest in and to such New Developments, and the execution of all documents required to enable Employer to file and obtain patents, trademarks, and copyrights in the United States and foreign countries on any of such New Developments.

9. SURRENDER OF MATERIAL UPON TERMINATION. Employee hereby agrees that upon cessation of Employee's employment, for whatever reason and whether voluntary or involuntary, Employee will immediately surrender to Employer all of the property and other things of value in his possession or in the possession of any person or entity under Employee's control that are the property of Employer or any of its Affiliates, including without any limitation all personal notes, drawings, manuals, documents, photographs, or the like, including copies and derivatives thereof,

relating directly or indirectly to any confidential information or materials or New Developments, or relating directly or indirectly to the business of Employer or any of its Affiliates.

10. REMEDIES.

A. Employer and Employee hereby acknowledge and agree that the services rendered by Employee to Employer, the information disclosed to Employee during and by virtue of Employee's employment, and Employee's commitments and obligations to Employer and its Affiliates herein are of a special, unique and extraordinary character, and that the breach of any provision of this Agreement by Employee will cause Employer irreparable injury and damage, and consequently the Employer shall be entitled to, in addition to all other remedies available to it, injunctive and equitable relief to prevent a breach of Sections 7, 8, 9, 11 and 12 of this Agreement and to secure the enforcement of this Agreement.

B. Except as provided in Section 10.A., the parties agree to submit to final and binding arbitration any dispute, claim or controversy, whether for breach of this Agreement or for violation of any of Employee's statutorily created or protected rights, arising between the parties that either party would have been otherwise entitled to file or pursue in court or before any administrative agency (herein "claim"), and waives all right to sue the other party.

(i) This agreement to arbitrate and any resulting arbitration award are enforceable under and subject to the Federal Arbitration Act, 9 U.S.C. Section 1 et seq. ("FAA"). If the FAA is held not to apply for any reason then Ohio Revised Code Chapter 2711 regarding the enforceability of arbitration agreements and awards will govern this Agreement and the arbitration award.

(ii) (a) All of a party's claims must be presented at a single arbitration hearing. Any claim not raised at the arbitration hearing is waived and released. The arbitration hearing will take place in Cincinnati, Ohio.

(b) The arbitration process will be governed by the Employment Dispute Resolution Rules of the American Arbitration Association ("AAA") except to the extent they are modified by this Agreement.

(c) Employee has had an opportunity to review the AAA rules and the requirements that Employee must pay a filing fee for which the Employer has agreed to split on an equal basis.

(d) The arbitrator will be selected from a panel of arbitrators chosen by the AAA in White Plains, New York. After the filing of a Request for Arbitration, the AAA will send simultaneously to Employer and Employee an identical list of names of five persons chosen from the panel. Each party will have 10 days from the transmittal date in which to strike up to two names, number the remaining names in order of preference and return the list to the AAA.

(e) Any pre-hearing disputes will be presented to the arbitrator for

expeditious, final and binding resolution.

(f) The award of the arbitrator will be in writing and will set forth each issue considered and the arbitrator's finding of fact and conclusions of law as to each such issue.

(g) The remedy and relief that may be granted by the arbitrator to Employee are limited to lost wages, benefits, cease and desist and affirmative relief, compensatory, liquidated and punitive damages and reasonable attorney's fees, and will not include reinstatement or promotion. If the arbitrator would have awarded reinstatement or promotion, but for the prohibition in this Agreement, the arbitrator may award front pay. The arbitrator may assess to either party, or split, the arbitrator's fee and expenses and the cost of the transcript, if any, in accordance with the arbitrator's determination of the merits of each party's position, but each party will bear any cost for its witnesses and proof.

(h) Employer and Employee recognize that a primary benefit each derives from arbitration is avoiding the delay and costs normally associated with litigation. Therefore, neither party will be entitled to conduct any discovery prior to the arbitration hearing except that: (i) Employer will furnish Employee with copies of all non-privileged documents in Employee's personnel file; (ii) if the claim is for discharge, Employee will furnish Employer with records of earnings and benefits relating to Employee's subsequent employment (including self-employment) and all documents relating to Employee's efforts to obtain subsequent employment; (iii) the parties will exchange copies of all documents they intend to introduce as evidence at the arbitration hearing at least 10 days prior to such hearing; (iv) Employee will be allowed (at Employee's expense) to take the depositions, for a period not to exceed four hours each, of two representatives of Employer, and Employer will be allowed (at its expense) to depose Employee for a period not to exceed four hours; and (v) Employer or Employee may ask the arbitrator to grant additional discovery to the extent permitted by AAA rules upon a showing that such discovery is necessary.

(i) Nothing herein will prevent either party from taking the deposition of any witness where the sole purpose for taking the deposition is to use the deposition in lieu of the witness testifying at the hearing and the witness is, in good faith, unavailable to testify in person at the hearing due to poor health, residency and employment more than 50 miles from the hearing site, conflicting travel plans or other comparable reason.

(iii) Arbitration must be requested in writing no later than 6 months from the date of the party's knowledge of the matter disputed by the claim. A party's failure to initiate arbitration within the time limits herein will be considered a waiver and release by that party with respect to any claim subject to arbitration under this Agreement.

(iv) Employer and Employee consent that judgment upon the arbitration award may be entered in any federal or state court that has jurisdiction.

(v) Except as provided in Section 10.A., neither party will commence or

pursue any litigation on any claim that is or was subject to arbitration under this Agreement.

(vi) All aspects of any arbitration procedure under this Agreement, including the hearing and the record of the proceedings, are confidential and will not be open to the public, except to the extent the parties agree otherwise in writing, or as may be appropriate in any subsequent proceedings between the parties, or as may otherwise be appropriate in response to a governmental agency or legal process.

11. COVENANT NOT TO COMPETE. For purposes of this Section 11 only, the term "Employer" shall mean, collectively, Employer and each of its Affiliates. During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee will not engage in any business offering services related to the current business of Employer, whether as a principal, partner, joint venturer, agent, employee, salesman, consultant, director or officer, where such position would involve Employee (i) in any business activity in competition with Employer; (ii) in any position with any customer of Employer which involves such customer's billing and/or billing related systems or; or (iii) in any business that provides billing and/or billing related systems to third parties engaged in the communication business (including wireless, wireline and cable communication businesses). This restriction will be limited to the geographical area where Employer is then engaged in such competing business activity or to such other geographical area as a court shall find reasonably necessary to protect the goodwill and business of the Employer.

During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee will not interfere with or adversely affect, either directly or indirectly, Employer's relationships with any person, firm, association, corporation or other entity which is known by Employee to be, or is included on any listing to which Employee had access during the course of employment as a customer, client, supplier, consultant or employee of Employer and that Employee will not divert or change, or attempt to divert or change, any such relationship to the detriment of Employer or to the benefit of any other person, firm, association, corporation or other entity.

During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee shall not, without the prior written consent of Employer, accept employment, as an employee, consultant, or otherwise, with any company or entity which is a customer or supplier of Employer at any time during the final year of Employee's employment with Employer.

Employee will not, during or at any time within three years after the termination of Employee's employment with Employer, induce or seek to induce, any other employee of Employer to terminate his or her employment relationship with Employer.

12. GOODWILL. Employee will not disparage Employer or any of its Affiliates in any way

which could adversely affect the goodwill, reputation and business relationships of Employer or any of its Affiliates with the public generally, or with any of their customers, suppliers or employees. Employer will not disparage Employee.

13. TERMINATION.

A. (i) Employer or Employee may terminate this Agreement upon Employee's failure or inability to perform the services required hereunder because of any physical or mental infirmity for which Employee receives disability benefits under any disability benefit plans made available to Employee by Employer (the "Disability Plans"), over a period of one hundred twenty consecutive working days during any twelve consecutive month period (a "Terminating Disability").

(ii) If Employer or Employee elects to terminate this Agreement in the event of a Terminating Disability, such termination shall be effective immediately upon the giving of written notice by the terminating party to the other.

(iii) Upon termination of this Agreement on account of Terminating Disability, Employer shall pay Employee Employee's accrued compensation hereunder, whether Base Salary, Bonus or otherwise (subject to offset for any amounts received pursuant to the Disability Plans), to the date of termination. For as long as such Terminating Disability may exist, Employee shall continue to be an employee of Employer for all other purposes and Employer shall provide Employee with disability benefits and all other benefits according to the provisions of the Disability Plans and any other Employer plans in which Employee is then participating.

(iv) If the parties elect not to terminate this Agreement upon an event of a Terminating Disability and Employee returns to active employment with Employer prior to such a termination, or if such disability exists for less than one hundred twenty consecutive working days, the provisions of this Agreement shall remain in full force and effect.

B. This Agreement terminates immediately and automatically on the death of the Employee, provided, however, that the Employee's estate shall be paid Employee's accrued compensation hereunder, whether Base Salary, Bonus or otherwise, to the date of death.

C. Employer may terminate this Agreement immediately, upon written notice to Employee, for Cause. For purposes of this Agreement, Employer shall have "Cause" to terminate this Agreement only if Employer's Board of Directors determines that there has been fraud, misappropriation or embezzlement on the part of Employee.

D. Employer may terminate this Agreement immediately, upon written notice to Employee, for any reason other than those set forth in Sections 13.A., B. and C.; provided, however, that Employer shall have no right to terminate under this Section 13.D. within two years after a Change in Control. In the event of a termination by Employer under this Section 13.D., Employer shall, within five days after the termination, pay Employee an amount equal to the greater of (i) two times the sum of the annual Base Salary rate in effect at the time of

termination plus the Bonus target in effect at the time of termination or

(ii) if the Current Term is longer than two years, the sum of the Base Salary for the remainder of the Current Term (at the rate in effect at the time of termination) plus the Bonus targets (at the amount in effect at the time of termination) for each calendar year commencing or ending during the remainder of the Current Term (subject to proration in the case of any calendar year ending after the Current Term). For the remainder of the Current Term, Employer shall continue to provide Employee with medical, dental, vision and life insurance coverage comparable to the medical, dental, vision and life insurance coverage in effect for Employee immediately prior to the termination; and, to the extent that Employee would have been eligible for any post-retirement medical, dental, vision or life insurance benefits from Employer if Employee had continued in employment through the end of the Current Term, Employer shall provide such post-retirement benefits to Employee after the end of the Current Term. For purposes of any stock option or restricted stock grant outstanding immediately prior to the termination, Employee's employment with Employer shall not be deemed to have terminated until the end of the Current Term. In addition, Employee shall be entitled to receive, as soon as practicable after termination, an amount equal to the sum of (i) any forfeitable benefits under any qualified or nonqualified pension, profit sharing, 401(k) or deferred compensation plan of Employer or any Affiliate which would have vested prior to the end of the Current Term if Employee's employment had not terminated plus (ii) if Employee is participating in a qualified or nonqualified defined benefit plan of Employer or any Affiliate at the time of termination, an amount equal to the present value of the additional vested benefits which would have accrued for Employee under such plan if Employee's employment had not terminated prior to the end of the Current Term and if Employee's annual Base Salary and Bonus target had neither increased nor decreased after the termination. For purposes of this

Section 13.D., "Current Term" means the longer of (i) the two year period beginning at the time of termination or (ii) the unexpired term of this Agreement at the time of the termination, determined as provided in Section 2 but assuming that there is no automatic extension of the Agreement term after the termination. For purposes of this Section 13.D. and Section 13.E., "Change in Control" means a change in control as defined in Employer's 1998 Long Term Incentive Plan.

I. This Agreement shall terminate automatically in the event that there is a Change in Control and either (i) Employee elects to resign within 90 days after the Change in Control or (ii) Employee's employment with Employer is actually or constructively terminated by Employer within two years after the Change in Control for any reason other than those set forth in Sections 13.A., B. and C. For purposes of the preceding sentence, a "constructive" termination of Employee's employment shall be deemed to have occurred if, without Employee's consent, there is a material reduction in Employee's authority or responsibilities or if there is a reduction in Employee's Base Salary or Bonus target from the amount in effect immediately prior to the Change in Control or if Employee is required by Employer to relocate from the city where Employee is residing immediately prior to the Change in Control. In the event of a termination under this Section 13.E., Employer shall pay Employee an amount equal to three times the sum of the annual Base Salary rate in effect at the time of termination plus the Bonus target in effect at the time of termination, all stock options shall become immediately exercisable (and Employee shall be afforded the opportunity to exercise them), the restrictions applicable to all restricted stock shall lapse and any long term awards shall be paid out at target. For the remainder of the

Current Term, Employer shall continue to provide Employee with medical, dental, vision and life insurance coverage comparable to the medical, dental, vision and life insurance coverage in effect for Employee immediately prior to the termination; and, to the extent that Employee would have been eligible for any post-retirement medical, dental, vision or life insurance benefits from Employer if Employee had continued in employment through the end of the Current Term, Employer shall provide such post-retirement benefits to Employee after the end of the Current Term. Employee's accrued benefit under any nonqualified pension or deferred compensation plan maintained by Employer or any Affiliate shall become immediately vested and nonforfeitable and Employee also shall be entitled to receive a payment equal to the sum of (i) any forfeitable benefits under any qualified pension or profit sharing or 401(k) plan maintained by Employer or any Affiliate plus (ii) if Employee is participating in a qualified or nonqualified defined benefit plan of Employer or any Affiliate at the time of termination, an amount equal to the present value of the additional benefits which would have accrued for Employee under such plan if Employee's employment had not terminated prior to the end of the Current Term and if Employee's annual Base Salary and Bonus target had neither increased nor decreased after the termination. Finally, to the extent that Employee is deemed to have received an excess parachute payment by reason of the Change in Control, Employer shall pay Employee an additional sum sufficient to pay (i) any taxes imposed under section 4999 of the Code plus (ii) any federal, state and local taxes applicable to any taxes imposed under section 4999 of the Code. For purposes of this Section 13.E., "Current Term" means the longer of (i) the three year period beginning at the time of termination or (ii) the unexpired term of this Agreement at the time of the termination, determined as provided in Section 2 but assuming that there is no automatic extension of the Agreement term after the termination.

F. Employee may resign upon 60 days' prior written notice to Employer. In the event of a resignation under this Section 13.F., this Agreement shall terminate and Employee shall be entitled to receive Employee's Base Salary through the date of termination, any Bonus earned but not paid at the time of termination and any other vested compensation or benefits called for under any compensation plan or program of Employer.

G. Employee may retire upon six months' prior written notice to Employer at any time after Employee has attained age 55 and completed at least ten years of service with Employer and its Affiliates. For purposes of the preceding sentence, service with Cincinnati Bell Inc. and its subsidiaries prior to the Effective Date shall be deemed to be service with Employer. In the event of a retirement under this Section 13.G., this Agreement shall terminate and Employee shall be entitled to receive Employee's Base Salary through the date of termination and any Bonus earned but not paid at the time of termination. In addition, Employee shall be entitled to receive any compensation or benefits made available to retirees under Employer's standard policies and programs, including retiree medical and life insurance benefits, a prorated Bonus for the year of termination, and the right to exercise options after retirement.

H. Upon termination of this Agreement as a result of an event of termination described in this Section 13 and except for Employer's payment of the required payments under this Section 13 (including any Base Salary accrued through the date of termination, any Bonus

earned for the year preceding the year in which the termination occurs and any nonforfeitable amounts payable under any employee plan), all further compensation under this Agreement shall terminate.

I. The termination of this Agreement shall not amend, alter or modify the rights and obligations of the parties under Sections 7, 8, 9, 10, 11, and 12 hereof, the terms of which shall survive the termination of this Agreement.

14. ASSIGNMENT. As this is an agreement for personal services involving a relation of confidence and a trust between Employer and Employee, all rights and duties of Employee arising under this Agreement, and the Agreement itself, are non-assignable by Employee.

15. NOTICES. Any notice required or permitted to be given under this Agreement shall be sufficient, if in writing, and if delivered personally or by certified mail to Employee at Employee's place of residence as then recorded on the books of Employer or to Employer at its principal office.

16. WAIVER. No waiver or modification of this Agreement or the terms contained herein shall be valid unless in writing and duly executed by the party to be charged therewith. The waiver by any party hereto of a breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach by such party.

17. GOVERNING LAW. This agreement shall be governed by the laws of the State of Ohio.

18. ENTIRE AGREEMENT. This Agreement contains the entire agreement of the parties with respect to Employee's employment by Employer. There are no other contracts, agreements or understandings, whether oral or written, existing between them except as contained or referred to in this Agreement.

19. SEVERABILITY. In case any one or more of the provisions of this Agreement is held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or other enforceability shall not affect any other provisions hereof, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provisions have never been contained herein.

20. SUCCESSORS AND ASSIGNS. Subject to the requirements of Paragraph 14 above, this Agreement shall be binding upon Employee, Employer and Employer's successors and assigns.

21. CONFIDENTIALITY OF AGREEMENT TERMS. The terms of this Agreement shall be held in strict confidence by Employee and shall not be disclosed by Employee to anyone other than Employee's spouse, Employee's legal counsel, and Employee's other advisors, unless required by law. Further, except as provided in the preceding sentence, Employee shall not reveal the existence of this Agreement or discuss its terms with any person (including but not limited to any employee of Employer or its Affiliates) without the express authorization of the President of Employer. To the extent that the terms of this Agreement have been disclosed by Employer, in a public filing or otherwise, the confidentiality requirements of this Section 21 shall no longer

apply to such terms.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

CONVERGYS CORPORATION

By:

EMPLOYEE

David F. Dougherty

Attachment B

EMPLOYEE BENEFITS

Automobile Allowance	\$850 per month
Cellular Telephone	Yes
Executive Deferred Compensation Plan	Yes
Group Accident Life	\$500,000
Legal/Financial/Insurance Allowance	\$7,500 per year
Parking	Yes
Annual Physical	Yes
Short Term Disability Supplement	Yes
Travel Insurance (Spouse)	\$50,000
Vacation year	5 weeks per

AMENDMENT TO EMPLOYMENT AGREEMENT

The Employment Agreement between Convergys Corporation ("Employer") and David F. Dougherty ("Employee"), made as of the date on which the initial public offering of Employer's common shares was closed, is hereby amended in the following respects:

5. Section 4.A. is hereby amended to read as follows:

A. Employee shall receive a base salary (the "Base Salary") of at least \$360,000 per year, payable not less frequently than monthly, for each year after 1998 during the term of this Agreement, subject to proration for any partial year. Such Base Salary, and all other amounts payable under this Agreement, shall be subject to withholding as required by law.

2. Section 4.B. is hereby amended to read as follows:

B. In addition to the Base Salary, Employee shall be entitled to receive an annual bonus (the "Bonus") for each calendar year for which services are performed under this Agreement. Any Bonus for a calendar year shall be payable after the conclusion of the calendar year in accordance with Employer's regular bonus payment policies. The Bonus target for the period from August 13, 1998 through December 31, 1998 shall be \$61,808 (\$160,000 on an annualized basis). Each year after 1998, Employee shall be given a minimum Bonus target, by Employer's Compensation Committee, of not less than \$105,000, subject to proration for a partial year.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed on December ____, 1998.

CONVERGYS CORPORATION

By:

David F. Dougherty

**EXHIBIT 10.13
TO
FORM 10-K FOR 1998**

EMPLOYMENT AGREEMENT

This Agreement is made as of March 1, 1998 (the "Effective Date") between Cincinnati Bell Information Systems Inc., an Ohio corporation ("Employer" or "CBIS"), and Brian C. Henry ("Employee").

Employer and Employee agree as follows:

1. **EMPLOYMENT.** By this Agreement, Employer and Employee set forth the terms of Employer's employment of Employee on and after the Effective Date. Any prior agreements or understandings with respect to Employee's employment by Employer are canceled as of the Effective Date.
2. **PERIOD OF AGREEMENT.** This Agreement begins on the Effective Date and, subject to the terms of Section 13, will end on February 28, 2003.
3. **DUTIES.**
 - A. Employee will serve as Chief Operating Officer of CBIS or in such other equivalent capacity as may be designated by President of CBIS. Employee will report to the President of CBIS.
 - B. Employee shall furnish such managerial, executive, financial, technical, and other skills, advice, and assistance in operating CBIS as Employer may reasonably request.
 - C. Employee shall also perform such other duties as are reasonably assigned to Employee by the President of CBIS.
 - D. Employee shall devote Employee's entire time, attention, and energies to the business of Employer. The words "entire time, attention, and energies" are intended to mean that Employee shall devote his full effort during reasonable working hours to the business of Employer and shall devote at least 40 hours per week to the business of Employer. Employee shall travel to such places as are necessary in the performance of Employee's duties.
4. **COMPENSATION.**
 - A. Employee shall receive a base salary (the "Base Salary") of at least \$320,000 per year, payable not less frequently than monthly, for each year during the term of this Agreement, subject to proration for any partial year. Such Base Salary, and any other amounts payable hereunder, shall be subject to withholding as required by law.

B. In addition to the Base Salary, Employee shall be entitled to receive an annual bonus (the "Bonus") for each calendar year for which services are performed under this Agreement. Any Bonus for a calendar year shall be payable after the conclusion of the calendar year in accordance with Employer's regular bonus payment policies. Each year, employee shall be given a Bonus target of not less than \$120,000, subject to proration for a partial year.

C. On at least an annual basis, Employee shall receive a formal performance review and be considered for Base Salary and/or Bonus target increases.

5. EXPENSES. All reasonable and necessary expenses incurred by Employee in the course of the performance of Employee's duties to Employer shall be reimbursable in accordance with Employer's then current travel and expense policies.

6. BENEFITS.

A. While Employee remains in the employ of Employer, Employee shall be entitled to participate in all of the various employee benefit plans and programs in which fifth level managers and above of CBIS are participating.

B. Notwithstanding anything contained herein to the contrary, the Base Salary and Bonuses otherwise payable to Employee shall be reduced by any benefits paid to Employee by Employer under any disability plans made available to Employee by Employer.

C. In 1998, Employee shall be granted options to purchase 28,600 common shares of Cincinnati Bell Inc. ("CBI") on terms approved by CBI's Compensation Committee. In each year of this Agreement after 1998, Employee will be granted stock options under CBI's 1997 Long Term Incentive Plan or any similar plan made available to employees of Employer.

D. Notwithstanding anything contained in Section 6.A. to the contrary, during the period from the Effective Date through October 7, 1998, Employee shall not receive the automobile allowance otherwise payable to fifth level managers. In lieu of such allowance, Employee shall continue to have the use of the automobile leased for Executive by CBI on the Effective Date, with all maintenance costs being paid by Employer, until October 7, 1998, the expiration of the lease term.

E. The Executive Employment Agreement between Employee and CBI dated March 29, 1993 (the "Prior Agreement") made provision for a supplemental, non-qualified pension to be paid to Employee by CBI. Notwithstanding the termination of the Prior Agreement, if Employee's employment with Employer is terminated prior to December 31, 2002 for any reason and if the recognizable value of the restricted stock granted to Employee under Section 6.F. of this Agreement is less than the lump sum value (on the date of termination) of the supplemental, non-qualified pension which would have been payable to Employee under the Prior Agreement if the Prior Agreement had not been terminated, Employer shall pay such difference to Employee. For purposes of this Section 6.E., the recognizable value of the restricted stock granted to Employee under Section 6.F. of this Agreement shall be equal to the ordinary income which Employer is or has been required to recognize for federal income tax purposes for all years (or would have been required to recognize but for an election by Employee to defer under the CBI Executive Deferred Compensation Plan or any similar deferred compensation plan made available to Employee by Employer) with respect to the restricted stock, including both income from dividends and income from the lapsing of restrictions.

F. Employee shall receive a restricted stock award of 25,000 common shares of CBI. All provisions of this Agreement which relate to the terms under which restricted stock will be granted to Employee are subject to approval by the Compensation Committee. Such award shall be made under the Cincinnati Bell Inc. 1997 Long Term Incentive Plan on the terms set forth in Attachment A.

G. If Employee's employment with Employer is terminated after the fifth anniversary of the Effective Date for any reason other than those set forth in Sections 13.A., B. and C., Employer shall pay Employee an amount equal to two times the sum of Employee's annual Base Salary rate in effect on the date of termination plus Employee's Bonus target in effect on the date of termination.

7. CONFIDENTIALITY. Employer and its Affiliates are engaged in the telecommunications services, information services, and telecommunications support services industries within the U.S. and world wide. Employee acknowledges that in the course of employment with the Employer, Employee will be entrusted with or obtain access to information proprietary to the Employer and its Affiliates with respect to the following (all of which information is referred to hereinafter collectively as the "Information"); the organization and management of Employer and its Affiliates; the names, addresses, buying habits, and other special information regarding past, present and potential customers, employees and suppliers of Employer and its Affiliates; customer and supplier contracts and transactions or price lists of Employer, its Affiliates and their suppliers; products, services, programs and processes sold, licensed or developed by the Employer or its Affiliates; technical data, plans and specifications, present and/or future development projects of Employer and its Affiliates; financial and/or marketing data respecting the conduct of the present or future phases of business of Employer and its Affiliates; computer programs, systems and/or software; ideas, inventions, trademarks, business information, know-how, processes, improvements, designs, redesigns, discoveries and developments of Employer and its Affiliates; and other information considered confidential by any of the Employer, its Affiliates or customers or suppliers of Employer, its Affiliates.

Employee agrees to retain the Information in absolute confidence and not to disclose the Information to any person or organization except as required in the performance of Employee's duties for Employer, without the express written consent of Employer. For purposes of this Agreement, "Affiliate" means each corporation which is a member of a controlled group of corporations (within the meaning of section 1563(a) of the Internal Revenue Code of 1986, as amended) which includes Employer.

8. **NEW DEVELOPMENTS.** All ideas, inventions, discoveries, concepts, trademarks, or other developments or improvements, whether patentable or not, conceived by the Employee, alone or with others, at any time during the term of Employee's employment, whether or not during working hours or on Employer's premises, which are within the scope of or related to the business operations of Employer or its Affiliates or that relate to Employer or Affiliates' work or project, present, past or contemplated ("New Developments"), shall be and remain the exclusive property of Employer. Employee shall do all things reasonably necessary to ensure ownership of such New Developments by Employer, including the execution of documents assigning and transferring to Employer, all of Employee's rights, title and interest in and to such New Developments, and the execution of all documents required to enable Employer to file and obtain patents, trademarks, and copyrights in the United States and foreign countries on any of such New Developments.

9. **SURRENDER OF MATERIAL UPON TERMINATION.** Employee hereby agrees that upon cessation of Employee's employment, for whatever reason and whether voluntary or involuntary, Employee will immediately surrender to Employer all of the property and other things of value in his possession or in the possession of any person or entity under Employee's control that are the property of Employer or any of its Affiliates, including without any limitation all personal notes, drawings, manuals, documents, photographs, or the like, including copies and derivatives thereof, relating directly or indirectly to any confidential information or materials or New Developments, or relating directly or indirectly to the business of Employer or any of its Affiliates.

10. REMEDIES.

A. **EMPLOYER'S REMEDIES.** Employer and Employee hereby acknowledge and agree that the services rendered by Employee to Employer, the information disclosed to Employee during and by virtue of his employment, and Employee's commitments and obligations to Employer and its Affiliates herein are of a special, unique and extraordinary character, and that the breach of any provision of this Agreement by Employee will cause Employer irreparable injury and damage, and consequently the Employer shall be entitled to, in addition to all other remedies available to it, injunctive and equitable relief to prevent a breach of this Agreement, or any part of it, and to secure the enforcement of this Agreement.

B. **EMPLOYEE'S REMEDIES.** Employee agrees to submit to final and binding arbitration any dispute, claim or controversy, whether for breach of this agreement or for violation of any of Employee's statutorily created or protected rights, arising between the parties that Employee would have been otherwise entitled to file or pursue in court or before any administrative agency (herein "claim"), and Employee waives all right to sue Employer, its

Affiliates, and all of their agents, employees, officers and directors.

- (i) This agreement to arbitrate and any resulting arbitration award are enforceable under and subject to the Federal Arbitration Act, 9 U.S.C. Section 1 ET SEQ. ("FAA"). If the FAA is held not to apply for any reason then Ohio Revised Code Chapter 2711 regarding the enforceability of arbitration agreements and awards will govern this Agreement and the arbitration award.
- (ii) (a) All of Employee's claims must be presented at a single arbitration hearing under this Agreement. Any claim not raised at the arbitration hearing is waived and released. The arbitration hearing will take place in Cincinnati, Ohio.
(b) The arbitration process will be governed by the Employment Dispute Resolution Rules of the American Arbitration Association ("AAA") except to the extent they are modified by this Agreement.
(c) Employee has had an opportunity to review the AAA rules and the requirements that Employee must pay a filing fee for which the Employer has agreed to split on an equal basis.
(d) The arbitrator will be selected from a panel of arbitrators chosen by the AAA in White Plains, New York. After the filing of a Request for Arbitration, the AAA will send simultaneously to Employer and Employee an identical list of names of five persons chosen from the panel. Each party will have 10 days from the transmittal date in which to strike up to two names, number the remaining names in order of preference and return the list to the AAA.
(e) Any pre-hearing disputes will be presented to the arbitrator for expeditious, final and binding resolution.
(f) The award of the arbitrator will be in writing and will set forth each issue considered and the arbitrator's finding of fact and conclusions of law as to each such issue.
(g) The remedy and relief that may be granted by the arbitrator are limited to lost wages, benefits, cease and desist and affirmative relief, compensatory, liquidated and punitive damages and reasonable attorney's fees, and will not include reinstatement or promotion. If the arbitrator would have awarded reinstatement or promotion, but for the prohibition in this Agreement, the arbitrator may award front pay. Compensatory, liquidated and punitive damages for breach of this Agreement, if awarded, may not exceed the greater of (i) the amount provided in case of a termination under Section 13.D, and (ii) the maximum amount otherwise payable under the applicable terms of this Agreement. Compensatory, liquidated and punitive damages, for a dispute, claim or controversy other than for breach of this Agreement, if awarded, are limited to a combined total of one year's salary. The arbitrator may assess to either party, or split, the arbitrator's fee and expenses and the cost of the transcript, if any, in accordance with the arbitrator's determination of the merits of each

party's position, but each party will bear any cost for its witnesses and proof.

(h) Employer and Employee recognize that a primary benefit each derives from entering this Agreement is avoiding the delay and costs normally associated with litigation. Therefore, neither party will be entitled to conduct any discovery prior to the arbitration hearing except that: (i) Employer will furnish Employee with copies of all non-privileged documents in Employee's personnel file; (ii) if the claim is for discharge, Employee will furnish Employer with records of earnings and benefits relating to Employee's subsequent employment (including self-employment) and all documents relating to Employee's efforts to obtain subsequent employment; (iii) the parties will exchange copies of all documents they intend to introduce as evidence at the arbitration hearing at least 10 days prior to such hearing; (iv) Employee will be allowed (at Employee's expense) to take the depositions, for a period not to exceed four hours each, of two representatives of Employer, and Employer will be allowed (at its expense) to depose Employee for a period not to exceed four hours; and (v) Employer or Employee may ask the arbitrator to grant additional discovery to the extent permitted by AAA rules upon a showing that such discovery is necessary.

(i) Nothing herein will prevent either party from taking the deposition of any witness where the sole purpose for taking the deposition is to use the deposition in lieu of the witness testifying at the hearing and the witness is, in good faith, unavailable to testify in person at the hearing due to poor health, residency and employment more than 50 miles from the hearing site, conflicting travel plans or other comparable reason.

(iii) Arbitration must be requested in writing no later than 6 months from the date of Employee's knowledge of the matter disputed by the claim. Employee's failure to initiate arbitration under this Agreement within the time limits herein will be considered a waiver and release by Employee with respect to any claim subject to arbitration under this Agreement.

(iv) Employer and Employee consent that judgment upon the arbitration award may be entered in any federal or state court that has jurisdiction.

(v) Employee will not commence or pursue any litigation on any claim that is or was subject to arbitration under this Agreement.

(vi) All aspects of any arbitration procedure under this Agreement, including the hearing and the record of the proceedings, are confidential and will not be open to the public, except to the extent the parties agree otherwise in writing, or as may be appropriate in any subsequent proceedings between the parties, or as may otherwise be appropriate in response to a governmental agency or legal process.

11. COVENANT NOT TO COMPETE. For purposes of this Section 11 only, the term "Employer" shall mean, collectively, Employer and each of its Affiliates. During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee will not engage in any business offering services related to the current business of Employer, whether as a

principal, partner, joint venturer, agent, employee, salesman, consultant, director or officer, where such position would involve Employee (i) in any business activity in competition with Employer; (ii) in any position with any customer of Employer which involves such customer's billing and/or billing related systems; or (iii) in any business that provides billing and/or billing related systems to third parties engaged in the communication business (including wireless, wireline and cable communication businesses). This restriction will be limited to the geographical area where Employer is then engaged in such competing business activity or to such other geographical area as a court shall find reasonably necessary to protect the goodwill and business of the Employer.

During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee will not interfere with or adversely affect, either directly or indirectly, Employer's relationships with any person, firm, association, corporation or other entity which is known by Employee to be, or is included on any listing to which Employee had access during the course of employment as a customer, client, supplier, consultant or employee of Employer and that Employee will not divert or change, or attempt to divert or change, any such relationship to the detriment of Employer or to the benefit of any other person, firm, association, corporation or other entity.

During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee shall not, without the prior written consent of Employer, accept employment, as an employee, consultant, or otherwise, with any company or entity which is a customer or supplier of Employer at any time during the final year of Employee's employment with Employer.

Employee will not, during or at any time after the termination of Employee's employment with Employer, induce or seek to induce, any other employee of Employer to terminate his or her employment relationship with Employer.

12. GOODWILL. Employee will not disparage or act in any manner, directly or indirectly, which may damage the business of Employer or any of its Affiliates or which would adversely affect the goodwill, reputation, and business relationships of Employer or any of its Affiliates with the public generally, or with any of their customers, suppliers or employees.

13. TERMINATION.

A. (i) Employer or Employee may terminate this Agreement upon Employee's failure or inability to perform the services required hereunder because of any physical or mental infirmity for which Employee receives disability benefits under any disability benefit plans made available to Employee by Employer (the "Disability Plans"), over a period of one hundred twenty consecutive working days during any twelve consecutive month period (a "Terminating Disability").

(ii) If Employer or Employee elects to terminate this Agreement in the

event of a Terminating Disability, such termination shall be effective immediately upon the giving of written notice by the terminating party to the other.

(iii) Upon termination of this Agreement on account of Terminating Disability, Employer shall pay Employee Employee's accrued compensation hereunder, whether Base Salary or otherwise (subject to offset for any amounts received pursuant to the Plans), to the date of termination. For as long as such Terminating Disability may exist, Employee shall continue to be an employee of Employer for all other purposes and Employer shall provide Employee with disability benefits and all other benefits according to the provisions of the Disability Plans and any other Employer plans in which Employee is then participating.

(iv) If the parties elect not to terminate this Agreement upon an event of a Terminating Disability and Employee returns to active employment with Employer prior to such a termination, or if such disability exists for less than one hundred twenty consecutive working days, the provisions of this Agreement shall remain in full force and effect.

B. This Agreement terminates immediately and automatically on the death of the Employee, provided, however, that the Employee's estate shall be paid Employee's accrued compensation hereunder, whether Base Salary or otherwise, to the date of death.

C. Employer may terminate this Agreement immediately for Cause. For purposes of this Agreement, Employer shall have Cause to terminate this Agreement only if the CBI Board of Directors determines that there has been fraud, misappropriation or embezzlement on the part of Employee.

D. Employer may terminate this Agreement upon prior written notice for any reason other than those set forth in Sections 13.A., B., and C., provided, however, that Employer shall have no right to terminate this Agreement during the 90-day period following a Change in Control of Employer. This Agreement shall terminate automatically in the event that Employee elects to resign within 90 days after a Change in Control of Employer. In the event of a termination under the first sentence of this Section 13.D., Employer shall pay Employee two times the Base Salary as it exists at the time of termination. In the event of a termination under the second sentence of this Section 13.D., Employer shall pay Employee 2.99 times the Base Salary as it exists at the time of termination. For purposes of this Agreement, a "Change in Control" of Employer shall be deemed to have occurred if 50% or more of the outstanding shares of Employer are acquired, directly or indirectly, by an entity which, at the time of acquisition, is unrelated to CBI or if 50% or more of the assets of Employer are acquired, directly or indirectly, by an entity which, at the time of acquisition, is unrelated to CBI.

E. Upon termination of this Agreement as a result of an event of termination described in this Section 13 and except for Employer's payment of the required payments under this Section 13, all further compensation under this Agreement shall terminate.

F. The termination of this Agreement shall not amend, alter or modify the rights and obligations of the parties under Sections 6.G., 7, 8, 9, 10, 11, and 12 hereof, the terms of which shall survive the termination of this Agreement.

14. **ASSIGNMENT.** As this is an agreement for personal services involving a relation of confidence and a trust between Employer and Employee, all rights and duties of Employee arising under this Agreement, and the Agreement itself, are non-assignable by Employee.

15. **NOTICES.** Any notice required or permitted to be given under this Agreement shall be sufficient, if in writing, and if delivered personally or by certified mail to Employee at Employee's place of residence as then recorded on the books of Employer or to Employer at its principal office.

16. **WAIVER.** No waiver or modification of this Agreement or the terms contained herein shall be valid unless in writing and duly executed by the party to be charged therewith. The waiver by any party hereto of a breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach by such party.

17. **GOVERNING LAW.** This agreement shall be governed by the laws of the State of Ohio.

18. **ENTIRE AGREEMENT.** This Agreement contains the entire agreement of the parties with respect to Employee's employment by Employer. There are no other contracts, agreements or understandings, whether oral or written, existing between them except as contained or referred to in this Agreement.

19. **SEVERABILITY.** In case any one or more of the provisions of this Agreement is held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or other enforceability shall not affect any other provisions hereof, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provisions have never been contained herein.

20. **SUCCESSORS AND ASSIGNS.** Subject to the requirements of Paragraph 14 above, this Agreement shall be binding upon Employee, Employer and Employer's successors and assigns.

21. **CONFIDENTIALITY OF AGREEMENT TERMS.** The terms of this Agreement shall be held in strict confidence by Employee and shall not be disclosed by Employee to anyone other than Employee's spouse, Employee's legal counsel, and Employee's other advisors, unless required by law. Further, except as provided in the preceding sentence, Employee shall not reveal the existence of this Agreement or discuss its terms with any person (including but not limited to any employee of Employer or its Affiliates) without the express authorization of the President of CBIS.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

CINCINNATI BELL INFORMATION SYSTEMS INC.

By:

Robert J. Marino

EMPLOYEE

By:

Brian C. Henry

**EXHIBIT 10.14
TO
FORM 10-K FOR 1998**

EMPLOYMENT AGREEMENT

This Agreement is made as of January 1, 1998 (the "Effective Date") between MATRIXX Marketing Inc., an Ohio corporation ("Employer" or "MATRIXX"), and Ronald E. Schultz ("Employee").

Employer and Employee agree as follows:

1. **EMPLOYMENT.** By this Agreement, Employer and Employee set forth the terms of Employer's employment of Employee on and after the Effective Date. Any prior agreements or understandings with respect to Employee's employment by Employer are canceled as of the Effective Date, provided that the terms of the Non-Compete and Non-Disclosure Agreement attached to Employee's employment letter from Employer dated October 5, 1995 shall continue in effect and shall not be superseded by this Agreement.
2. **PERIOD OF AGREEMENT.** This Agreement begins on the Effective Date and, subject to the terms of Section 13, will end on the day preceding the fifth anniversary of the effective date.
3. **DUTIES.**
 - A. Employee will serve as Chief Operating Officer of Employer or in such other equivalent capacity with Employer or an Affiliate as may be designated by the President of Employer. Employee will report to the President of Employer or such other officer as may be designated by the President of Employer. For purposes of this Agreement, "Affiliate" means each corporation which is a member of a controlled group of corporations (within the meaning of section 1563(a) of the Internal Revenue Code of 1986, as amended) which includes Employer.
 - B. Employee shall furnish such managerial, executive, financial, technical, and other skills, advice, and assistance in operating Employer and its Affiliates as Employer may request.
 - C. Employee shall also perform such other duties as are assigned to Employee by the officer to whom Employee reports.
 - D. Employee shall devote Employee's entire time, attention, and energies to the business of Employer and its Affiliates. The words "entire time, attention, and energies" are intended to mean that Employee shall devote Employee's full effort during reasonable working hours to the business of Employer and its Affiliates and shall devote at least 40 hours per week to the business of Employer and its Affiliates. Employee shall travel to such places as are necessary in the performance of Employee's duties.
4. **COMPENSATION.**

A. Employee shall receive a base salary (the "Base Salary") of at least \$225,000 per year, payable not less frequently than monthly, for each year during which services are performed under this Agreement, subject to proration for any partial year. Such Base Salary, and any other amounts payable hereunder, shall be subject to withholding as required by law.

B. In addition to the Base Salary, Employee shall be entitled to receive an annual bonus (the "Bonus") for each calendar year for which services are performed under this Agreement. Any Bonus for a calendar year shall be payable after the conclusion of the calendar year in accordance with Employer's regular bonus payment policies. Employee shall be given a Bonus target of not less than \$100,000 for each year, subject to proration for a partial year.

C. On at least an annual basis, Employee shall receive a formal performance review and be considered for Base Salary and/or Bonus target increases.

5. EXPENSES. All reasonable and necessary expenses incurred by Employee in the course of the performance of Employee's duties to Employer shall be reimbursable in accordance with Employer's then current travel and expense policies.

6. BENEFITS.

A. While Employee remains in the employ of Employer, Employee shall be entitled to participate in all of the various employee benefit plans and programs in which Senior Vice Presidents of Employer are participating.

B. Notwithstanding anything contained herein to the contrary, the Base Salary and Bonuses otherwise payable to Employee shall be reduced by any benefits paid to Employee under any disability plan made available to Employee by Employer.

C. In each year of this Agreement, Employee will be granted stock options under Cincinnati Bell Inc. 1997 Long Term Incentive Plan or any similar plan made available to employees of Employer.

D. If Employee's employment with Employer is terminated after the fifth anniversary of the Effective Date for any reason other than those set forth in Sections 13.A., B. and C., Employer shall pay Employee an amount equal to two times the sum of Employee's annual Base Salary rate in effect on the date of termination plus Employee's Bonus target in effect on the date of termination.

E. If Employee remains in the employ of Employer through October 1, 1998, Employee shall receive a restricted stock award of 13,500 common shares of Cincinnati Bell Inc. ("CBI"). Such award shall be made under the CBI 1997 Long Term Incentive Plan on the terms set forth in Attachment A.

7. CONFIDENTIALITY. Employer and its Affiliates are engaged in the telecommunications services, information services, and telecommunications support services industries within the U.S. and world wide. Employee acknowledges that in the course of

employment with the Employer, Employee will be entrusted with or obtain access to information proprietary to the Employer and its Affiliates with respect to the following (all of which information is referred to hereinafter collectively as the "Information"); the organization and management of Employer and its Affiliates; the names, addresses, buying habits, and other special information regarding past, present and potential customers, employees and suppliers of Employer and its Affiliates; customer and supplier contracts and transactions or price lists of Employer, its Affiliates and their suppliers; products, services, programs and processes sold, licensed or developed by the Employer or its Affiliates; technical data, plans and specifications, present and/or future development projects of Employer and its Affiliates; financial and/or marketing data respecting the conduct of the present or future phases of business of Employer and its Affiliates; computer programs, systems and/or software; ideas, inventions, trademarks, business information, know-how, processes, improvements, designs, redesigns, discoveries and developments of Employer and its Affiliates; and other information considered confidential by any of the Employer, its Affiliates or customers or suppliers of Employer, its Affiliates. Employee agrees to retain the Information in absolute confidence and not to disclose the Information to any person or organization except as required in the performance of Employee's duties for Employer, without the express written consent of Employer.

8. **NEW DEVELOPMENTS.** All ideas, inventions, discoveries, concepts, trademarks, or other developments or improvements, whether patentable or not, conceived by the Employee, alone or with others, at any time during the term of Employee's employment, whether or not during working hours or on Employer's premises, which are within the scope of or related to the business operations of Employer or its Affiliates or that relate to Employer or Affiliates' work or project, present, past or contemplated ("New Developments"), shall be and remain the exclusive property of Employer. Employee shall do all things reasonably necessary to ensure ownership of New Developments by Employer, including the execution of documents assigning and transferring to Employer, all of Employee's rights, title and interest in and to all New Developments, and the execution of all documents required to enable Employer to file and obtain patents, trademarks, and copyrights in the United States and foreign countries on any of all New Developments.

9. **SURRENDER OF MATERIAL UPON TERMINATION.** Employee hereby agrees that upon cessation of Employee's employment, for whatever reason and whether voluntary or involuntary, Employee will immediately surrender to Employer all of the property and other things of value in Employee's possession or in the possession of any person or entity under Employee's control that are the property of Employer or any of its Affiliates, including without any limitation all personal notes, drawings, manuals, documents, photographs, or the like, including copies and derivatives thereof, relating directly or indirectly to any confidential information or materials or New Developments, or relating directly or indirectly to the business of Employer or any of its Affiliates.

10. REMEDIES.

A. **EMPLOYER'S REMEDIES.** Employer and Employee hereby acknowledge and agree that the services rendered by Employee to Employer, the information disclosed to Employee during and by virtue of Employee's employment, and Employee's commitments and

obligations to Employer and its Affiliates herein are of a special, unique and extraordinary character, and that the breach of any provision of this Agreement by Employee will cause Employer irreparable injury and damage, and consequently Employer shall be entitled to, in addition to all other remedies available to it, injunctive and equitable relief to prevent a breach of this Agreement, or any part of it, and to secure the enforcement of this Agreement.

B. EMPLOYEE'S REMEDIES. Employee agrees to submit to final and binding arbitration any dispute, claim or controversy, whether for breach of this Agreement or for violation of any of Employee's statutorily created or protected rights, arising between the parties that Employee would have been otherwise entitled to file or pursue in court or before any administrative agency ("Claim"), and Employee waives all right to sue Employer, its Affiliates, and all of their agents, employees, officers and directors.

(i) This agreement to arbitrate and any resulting arbitration award are enforceable under and subject to the Federal Arbitration Act, 9 U.S.C. Section 1 ET SEQ. ("FAA"). If the FAA is held not to apply for any reason, then Ohio Revised Code Chapter 2711 regarding the enforceability of arbitration agreements and awards will govern this Agreement and the arbitration award.

(ii) (a) All of Employee's Claims must be presented at a single arbitration hearing under this Agreement. Any Claim not raised at the arbitration hearing is waived and released. The arbitration hearing will take place in Cincinnati, Ohio.

(b) The arbitration process will be governed by the Employment Dispute Resolution Rules of the American Arbitration Association ("AAA") except to the extent they are modified by this Agreement.

(c) Employee has had an opportunity to review the AAA rules and the requirements that Employee must pay a filing fee which Employer has agreed to split on an equal basis.

(d) The arbitrator will be selected from a panel of arbitrators chosen by the AAA in White Plains, New York. After the filing of a Request for Arbitration, the AAA will send simultaneously to Employer and Employee an identical list of names of five persons chosen from the panel. Each party will have 10 days from the transmittal date in which to strike up to two names, number the remaining names in order of preference and return the list to the AAA.

(e) Any pre-hearing disputes will be presented to the arbitrator for expeditious, final and binding resolution.

(f) The award of the arbitrator will be in writing and will set forth each issue considered and the arbitrator's finding of fact and conclusions of law as to each such issue.

(g) The remedy and relief that may be granted by the arbitrator

are limited to lost wages, benefits, cease and desist and affirmative relief, compensatory, liquidated and punitive damages and reasonable attorney's fees, and will not include reinstatement or promotion. If the arbitrator would have awarded reinstatement or promotion, but for the prohibition in this Agreement, the arbitrator may award front pay. Compensatory, liquidated and punitive damages for breach of this Agreement, if awarded, may not exceed the greater of (i) the amount provided in case of a termination under Section 13.D, and (ii) the maximum amount otherwise payable under the applicable terms of this Agreement. Compensatory, liquidated and punitive damages, for a dispute, claim or controversy other than for breach of this Agreement, if awarded, are limited to a combined total of one year's salary. The arbitrator may assess to either party, or split, the arbitrator's fee and expenses and the cost of the transcript, if any, in accordance with the arbitrator's determination of the merits of each party's position, but each party will bear any cost for its witnesses and proof.

(h) Employer and Employee recognize that a primary benefit each derives from entering this Agreement is avoiding the delay and costs normally associated with litigation. Therefore, neither party will be entitled to conduct any discovery prior to the arbitration hearing except that:

(i) Employer will furnish Employee with copies of all non-privileged documents in Employee's personnel file; (ii) if the claim is for discharge, Employee will furnish Employer with records of earnings and benefits relating to Employee's subsequent employment (including self-employment) and all documents relating to Employee's efforts to obtain subsequent employment;

(iii) the parties will exchange copies of all documents they intend to introduce as evidence at the arbitration hearing at least 10 days prior to such hearing; (iv) Employee will be allowed (at Employee's expense) to take the depositions, for a period not to exceed four hours each, of two representatives of Employer, and Employer will be allowed (at its expense) to depose Employee for a period not to exceed four hours; and (v) Employer or Employee may ask the arbitrator to grant additional discovery to the extent permitted by AAA rules upon a showing that such discovery is necessary.

(i) Nothing herein will prevent either party from taking the deposition of any witness where the sole purpose for taking the deposition is to use the deposition in lieu of the witness testifying at the hearing and the witness is, in good faith, unavailable to testify in person at the hearing due to poor health, residency and employment more than 50 miles from the hearing site, conflicting travel plans or other comparable reason.

(iii) Arbitration must be requested in writing no later than six months from the date of Employee's knowledge of the matter disputed by the claim. Employee's failure to initiate arbitration under this Agreement within the time limits herein will be considered a waiver and release by Employee with respect to any claim subject to arbitration under this Agreement.

(iv) Employer and Employee consent that judgment upon the arbitration award may be entered in any federal or state court that has jurisdiction.

(v) Employee will not commence or pursue any litigation on any claim that is or was subject to arbitration under this Agreement.

(vi) All aspects of any arbitration procedure under this Agreement, including the hearing and the record of the proceedings, are confidential and will not be open to the public, except to the extent the parties agree otherwise in writing, or as may be appropriate in any subsequent proceedings between the parties, or as may otherwise be appropriate in response to a governmental agency or legal process.

11. COVENANT NOT TO COMPETE. For purposes of this Section 11 only, the term "Employer" shall mean, collectively, Employer and each of its Affiliates. During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee will not engage in any business offering services related to the current business of Employer, whether as a principal, partner, joint venturer, agent, employee, salesman, consultant, director or officer, where such position would involve Employee in any business activity in competition with Employer. This restriction will be limited to the geographical area where Employer is then engaged in such competing business activity or to such other geographical area as a court shall find reasonably necessary to protect the goodwill and business of Employer.

During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee will not interfere with or adversely affect, either directly or indirectly, Employer's relationships with any person, firm, association, corporation or other entity which is known by Employee to be, or is included on any listing to which Employee had access during the course of employment as a customer, client, supplier, consultant or employee of Employer and that Employee will not divert or change, or attempt to divert or change, any such relationship to the detriment of Employer or to the benefit of any other person, firm, association, corporation or other entity.

During the two-year period following termination of Employee's employment with Employer for any reason (or if this period is unenforceable by law, then for such period as shall be enforceable) Employee shall not, without the prior written consent of Employer, accept employment, as an employee, consultant, or otherwise, with any company or entity which is a customer or supplier of Employer at any time during the final year of Employee's employment with Employer.

Employee will not, during or at any time after the termination of Employee's employment with Employer, induce or seek to induce, any other employee of Employer to terminate his or her employment relationship with Employer.

12. GOODWILL. Employee will not disparage or act in any manner, directly or indirectly, which may damage the business of Employer or any of its Affiliates or which would adversely affect the goodwill, reputation, and business relationships of Employer or any of its Affiliates with the public generally, or with any of their customers, suppliers or employees.

13. TERMINATION.

A. (i) Employer or Employee may terminate this Agreement upon

Employee's failure or inability to perform the services required hereunder because of any physical or mental infirmity for which Employee receives disability benefits under any disability benefit plans made available to Employee by Employer (the "Disability Plans"), over a period of one hundred twenty consecutive working days during any twelve consecutive month period (a "Terminating Disability").

(ii) If Employer or Employee elects to terminate this Agreement in the event of a Terminating Disability, such termination shall be effective immediately upon the giving of written notice by the terminating party to the other.

(iii) Upon termination of this Agreement on account of a Terminating Disability, Employer shall pay Employee Employee's accrued compensation hereunder, whether Base Salary or otherwise (subject to offset for any amounts received pursuant to the Disability Plans), to the date of termination. For as long as such Terminating Disability may exist, Employee shall continue to be an employee of Employer for all other purposes and Employer shall provide Employee with disability benefits and all other benefits according to the provisions of the Disability Plans and any other Employer plans in which Employee is then participating.

(iv) If the parties elect not to terminate this Agreement upon an event of a Terminating Disability and Employee returns to active employment with Employer prior to such a termination, or if such disability exists for less than one hundred twenty consecutive working days, the provisions of this Agreement shall remain in full force and effect.

B. This Agreement terminates immediately and automatically on the death of the Employee, provided, however, that the Employee's estate shall be paid Employee's accrued compensation hereunder, whether Base Salary or otherwise, to the date of death.

C. Employer may terminate this Agreement immediately for Cause. For purposes of this Agreement, Employer shall have Cause to terminate this Agreement only if Employer's Board of Directors determines that there has been fraud, misappropriation or embezzlement on the part of Employee.

D. Employer may terminate this Agreement, upon written notice to Employee, for any reason other than those set forth in Sections 13.A., B., and C. In the event of a termination under this Section 13.D., Employer shall pay Employee two times the sum of Employee's annual Base Salary rate as it exists on the date of termination plus Employee's Bonus target in effect on the date of termination. Employee also shall be entitled to receive any Base Salary earned through the date of termination and any unpaid Bonus earned prior to the year in which the date of termination occurs. In addition, (i) Employee shall be afforded the opportunity to exercise, on the date of termination, any stock options which are otherwise exercisable on the date of termination and (ii) if termination occurs after October 1, 1998, in accordance with the terms set forth in Attachment A, the restrictions applicable to a prorata portion of the restricted stock award under Section 6.E. shall lapse.

E. Upon termination of this Agreement as a result of an event of termination described in this Section 13 and except for Employer's payment of the required payments under this Section 13, all further compensation under this Agreement shall terminate.

F. The termination of this Agreement shall not amend, alter or modify the rights and obligations of the parties under Sections 6.D, 7, 8, 9, 10, 11, and 12 hereof, the terms of which shall survive the termination of this Agreement.

14. **ASSIGNMENT.** As this is an agreement for personal services involving a relation of confidence and a trust between Employer and Employee, all rights and duties of Employee arising under this Agreement, and the Agreement itself, are non-assignable by Employee.

15. **NOTICES.** Any notice required or permitted to be given under this Agreement shall be sufficient, if in writing, and if delivered personally or by certified mail to Employee at Employee's place of residence as then recorded on the books of Employer or to Employer at its principal office.

16. **WAIVER.** No waiver or modification of this Agreement or the terms contained herein shall be valid unless in writing and duly executed by the party to be charged therewith. The waiver by any party hereto of a breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach by such party.

17. **GOVERNING LAW.** This Agreement shall be governed by the laws of the State of Ohio without giving effect to any conflict of law provisions. Employee agrees to submit to the exclusive, personal jurisdiction and venue of state and federal courts of the State of Ohio.

18. **ENTIRE AGREEMENT.** This Agreement contains the entire agreement of the parties with respect to Employee's employment by Employer. There are no other contracts, agreements or understandings, whether oral or written, existing between them except as contained or referred to in this Agreement.

19. **SEVERABILITY.** In case any one or more of the provisions of this Agreement is held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or other enforceability shall not affect any other provisions hereof, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provisions have never been contained herein.

20. SUCCESSORS AND ASSIGNS. Subject to the requirements of Paragraph 14 above, this Agreement shall be binding upon Employee, Employer and Employer's successors and assigns.

21. CONFIDENTIALITY OF AGREEMENT TERMS. The terms of this Agreement shall be held in strict confidence by Employee and shall not be disclosed by Employee to anyone other than Employee's spouse, Employee's legal counsel, and Employee's other advisors. Further, except as provided in the preceding sentence, Employee shall not reveal the existence of this Agreement or discuss its terms with any person (including but not limited to any employee of Employer or its Affiliates) without the express authorization of the President of Employer.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

MATRIX MARKETING INC.

By:
David F. Dougherty

EMPLOYEE

By:
Ronald E. Schultz

AMENDMENT TO EMPLOYMENT AGREEMENT

The Employment Agreement dated January 1, 1998 between Convergys Customer Management Group Inc., formerly MATRIXX Marketing Inc. ("Employer"), and Ronald E. Schultz ("Employee") is hereby amended effective November 1, 1998 in the following respects:

1. Section 6.D. is amended to read as follows:

D. If Employee's employment with Employer is terminated by Employer on or after the fifth anniversary of the Effective Date for any reason other than those set forth in Sections 13.A., B. and C., Employer shall pay Employee the amounts which Employee would have been entitled to receive under Section 13.D. if the provisions of that Section had been in effect at the time of the termination.

2. Section 13.D. is amended to read as follows:

D. Employer may terminate this Agreement immediately, upon written notice to Employee, for any reason other than those set forth in Sections 13.A., B. and C.; provided, however, that Employer shall have no right to terminate under this Section 13.D. within two years after a Change in Control. In the event of a termination by Employer under this Section 13.D., Employer shall, within five days after the termination, pay Employee an amount equal to two times the sum of (i) the annual Base Salary rate in effect at the time of termination plus (ii) the Bonus target in effect at the time of termination. For the remainder of the Benefit Period, Employer shall continue to provide Employee with medical, dental, vision and life insurance coverage comparable to the medical, dental, vision and life insurance coverage in effect for Employee immediately prior to the termination; and to the extent that Employee would have been eligible for any post-retirement medical, dental, vision or life insurance benefits from Employer if Employee had continued in employment through the end of the Benefit Period, Employer shall provide such post-retirement benefits to Employee after the end of the Benefit Period. For purposes of any stock option or restricted stock grant outstanding immediately prior to the termination, Employee's employment with Employer shall not be deemed to have terminated until the end of the Benefit Period. In addition, Employee shall be entitled to receive, as soon as practicable after termination, an amount equal to the sum of (i) any forfeitable benefits under any qualified or nonqualified pension, profit sharing, 401(k) or deferred compensation plan of Employer or any Affiliate which would have vested prior to the end of the Benefit Period if Employee's employment had not terminated plus (ii) if Employee is participating in a qualified or nonqualified defined benefit plan of Employer or any Affiliate at the time of termination, an amount equal to the present value of the additional vested benefits which would have accrued for Employee under such plan if Employee's employment had not terminated prior to the end of the Benefit Period and if Employee's annual Base Salary and Bonus target had neither increased nor decreased after the termination. For purposes of this Section 13.D. and Section 13.G., "Benefit Period" means the two year period beginning at the time of termination. For purposes of this Section 13.D. and Section 13.G., "Change in Control"

means a change in control as defined in Employer's 1998 Long Term Incentive Plan. Finally, to the extent that Employee is deemed to have received an excess parachute payment (within the meaning of section 4999 of the Code) from Employer or any Affiliate, Employer shall pay Employee an additional sum sufficient to pay (i) any taxes imposed under section 4999 of the Code plus (ii) any federal, state and local taxes applicable to any taxes imposed under section 4999 of the Code.

3. Section 13 is amended by the addition of new Section 13.G. as follows:

G. This Agreement shall terminate automatically in the event that there is a Change in Control and either (i) Employee elects to resign within 90 days after the Change in Control or (ii) Employee's employment with Employer is actually or constructively terminated by Employer within two years after the Change in Control for any reason other than those set forth in Sections 13.A., B. and C. For purposes of the preceding sentence, a "constructive" termination of Employee's employment shall be deemed to have occurred if, without Employee's consent, there is a material reduction in Employee's authority or responsibilities or if there is a reduction in Employee's Base Salary or Bonus target from the amount in effect immediately prior to the Change in Control or if Employee is required by Employer to relocate from the city where Employee is residing immediately prior to the Change in Control. In the event of a termination under this Section 13.G., Employer shall pay Employee an amount equal to two times the sum of the annual Base Salary rate in effect at the time of termination plus the Bonus target in effect at the time of termination, all stock options shall become immediately exercisable (and Employee shall be afforded the opportunity to exercise them), the restrictions applicable to all restricted stock shall lapse and any long term awards shall be paid out at target. For the remainder of the Benefit Period, Employer shall continue to provide Employee with medical, dental, vision and life insurance coverage comparable to the medical, dental, vision and life insurance coverage in effect for Employee immediately prior to the termination; and, to the extent that Employee would have been eligible for any post-retirement medical, dental, vision or life insurance benefits from Employer if Employee had continued in employment through the end of the Benefit Period, Employer shall provide such post-retirement benefits to Employee after the end of the Benefit Period. Employee's accrued benefit under any nonqualified pension or deferred compensation plan maintained by Employer or any Affiliate shall become immediately vested and nonforfeitable and Employee also shall be entitled to receive a payment equal to the sum of (i) any forfeitable benefits under any qualified pension or profit sharing or 401(k) plan maintained by Employer or any Affiliate plus (ii) if Employee is participating in a qualified or nonqualified defined benefit plan of Employer or any Affiliate at the time of termination, an amount equal to the present value of the additional benefits which would have accrued for Employee under such plan if Employee's employment had not terminated prior to the end of the Benefit Period and if Employee's annual Base Salary and Bonus target had neither increased nor decreased after the termination. Finally, to the extent that Employee is deemed to have received an excess parachute payment by reason of the Change in Control, Employer shall pay Employee an additional sum sufficient to pay (i) any taxes imposed under section 4999 of

the Code plus (ii) any federal, state and local taxes applicable to any taxes imposed under section 4999 of the Code.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to Employment Agreement to be duly executed as of November 1, 1998.

**CONVERGYS CUSTOMER MANAGEMENT
GROUP INC.**

By:

EMPLOYEE

Ronald E. Schultz

**CONVERGYS CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
TABLE OF CONTENTS**

PAGE	
SECTION 1. STATEMENT OF PURPOSE.	27
SECTION 2. DEFINITIONS; GENDER AND NUMBER.	27
SECTION 3. ADMINISTRATION.	28
SECTION 4. BENEFITS.	28
SECTION 5. GENERAL PROVISIONS.	30
SECTION 6. PLAN MODIFICATION.	33

CONVERGYS CORPORATION

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

SECTION 1. STATEMENT OF PURPOSE.

The purpose of the Convergys Corporation Supplemental Executive Retirement Plan (the "Plan") is to provide supplementary pension benefits and death benefits for Senior Managers of Convergys Corporation ("Convergys") and its affiliates.

SECTION 2. DEFINITIONS; GENDER AND NUMBER.

2.1. For purposes of the Plan, the following terms shall have the meanings hereinafter set forth unless the context otherwise requires:

2.1.1 "Board of Directors" means the Board of Directors of the Convergys.

2.1.2 "Committee" means the Compensation Committee of the Board of Directors.

2.1.3 "Convergys Entity" means Convergys and each direct and indirect subsidiary of Convergys.

2.1.4 "Designated Beneficiary" mean the person or entity designated by a Senior Manager, on forms furnished and in the manner prescribed by the Committee, to receive any benefit payable under the Plan after the Senior Manager's death. If a Senior Manager fails to designate a beneficiary or if, for any reason, such designation is not effective, his "Designated Beneficiary" shall be his surviving spouse, or, if none, his estate.

2.1.5 "Effective Date" means the date on which Cincinnati Bell Inc. distributes to its shareholders all of the common shares of Convergys owned by Cincinnati Bell Inc.

2.1.6 "Employee" means any person who is employed as a common law employee of a Convergys Entity.

2.1.7 "Pension Plan" means the Convergys Corporation Pension Plan.

2.1.8 "Senior Manager" means an Employee whose participation in the Plan has been approved by the Board of Directors or the Committee.

2.1.9 "Years of Service" means a Senior Manager's full years of service as an Employee, computed on the basis that 12 full months of service (whether or not consecutive) constitutes one full year of service. For purposes of the Plan, service with Cincinnati Bell Inc. and its affiliates prior to the Effective Date shall be deemed to be service with Convergys.

2.2 For purposes of the Plan, words used in any gender shall include all other genders,

words used in the singular form shall include the plural form and words used in the plural form shall include the singular form.

SECTION 3. ADMINISTRATION.

3.1 Convergys shall be the Plan Administrator and the Sponsor of the Plan as those terms are defined in the Employee Retirement Income Security Act of 1974.

3.2 The Committee shall have the specific powers elsewhere herein granted to it and shall have such other powers as may be necessary in order to enable it to administer the Plan, except for powers herein granted or provided to be granted to others.

3.2.1 The Committee may adopt such rules and regulations and may employ such persons as it deems appropriate for the proper administration of the Plan.

3.2.2 The Committee shall grant or deny claims for benefits under the Plan, and authorize disbursements according to this Plan. Notice shall be provided in writing to any participant or beneficiary whose claim has been denied, setting forth the specific reasons for such denial. In the event that a claim for benefits has been denied, the Committee shall afford the claimant a full and fair review of the decision denying the claim.

3.2.3 The Committee shall determine conclusively for all parties all questions arising in the administration of the Plan.

3.2.4 The expenses of the Committee in administering the Plan shall be borne by the Convergys Entities in such proportions as the Committee may determine.

3.2.5 The Board of Directors and the Committee each may designate in writing other persons to carry out their responsibilities under the Plan, and may employ persons to advise them with regard to any such responsibilities.

SECTION 4. BENEFITS.

4.1 If a Senior Manager who has attained age 55 and completed at least 10 Years of Service ceases to be an Employee for any reason (other than his death), he shall be entitled to receive a monthly benefit, commencing on the day next following the date he ceases to be an Employee and payable for his life, equal to the result obtained (not less than zero) by subtracting (a) the sum of his Pension Benefit and Social Security Benefit from (b) 50% of his Average Monthly Compensation. Provided, however, that if the number of the Senior Manager's years of age and Years of Service total less than 75, the amount determined under clause (b) of the preceding sentence shall be reduced by 2.5% for each year by which the number of his full years of age and Years of Service total less than 75.

4.1.1 For purposes of this Section 4.1, a Senior Manager's "Average Monthly Compensation" shall be the average obtained by dividing (a) his base salary and annual bonuses from all Convergys Entities earned for the 36-month period during the 60-month period ending on the date he ceases to be an Employee which produces the highest dollar result by (b) 36. Any

annual bonus shall be deemed to have been earned on the last day of the performance period to which it relates. A Senior Manager's base salary and annual bonuses shall include base salary and annual bonus amounts deferred by the Senior Manager pursuant to any deferred compensation plan or agreement,

401(k) plan, cafeteria plan, as well as base salary and bonus amounts paid in the form of securities or other property which are not immediately taxable to the Senior Manager. For purposes of the Plan, compensation from Cincinnati Bell Inc. and its affiliates prior to the Effective Date shall be deemed to be compensation from a Convergys Entity.

4.1.2 For purposes of this Section 4.1, "Pension Benefit" means the pension benefit (if any) which the Senior Manager is entitled to receive under the Pension Plan, expressed as a monthly benefit commencing on the day following the date on which he ceases to be an Employee and payable for his life, including any Excess Pension Benefit (as defined in Section 5.6.3). If a Senior Manager has received or is entitled to receive a benefit from a Convergys Entity which, in the opinion of the Committee, is intended to supplement or be in lieu of a benefit under the Pension Plan, the value of such other benefit shall be deemed to be a benefit under the Pension Plan.

4.1.3 For purposes of this Section 4.1, "Social Security Benefit" means: (a) in the case of a Senior Manager who has attained his social security retirement age on the date he ceases to be an Employee, the unreduced primary monthly benefit to which he would be entitled on such date, on proper application, under the Federal Social Security Act in effect on such date; and (b) in the case of a Senior Manager who has not attained his social security retirement age on the date he ceases to be an Employee, a monthly benefit commencing on the day following the date he ceases to be an Employee and payable for his life which is actuarially equivalent to the unreduced primary monthly benefit to which he would be entitled upon attaining his social security retirement age, on proper application, under the Federal Social Security Act as in effect on the date he ceases to be an Employee, assuming that he did not receive any compensation after ceasing to be an Employee. For purpose of this Section 4.1.3, "social security retirement age" means the age used as the Senior Manager's retirement age under section 216(1) of the Federal Social Security Act. For purposes of this Section 4.1.3, the Social Security Benefit of a Senior Manager shall not be adjusted to reflect reductions because the Senior Manager disqualifies himself by earnings or otherwise to receive the full amount of such benefit.

4.2 If a Senior Manager dies while an active Employee, his Designated Beneficiary shall be entitled to receive a benefit payable in fifteen annual installments, commencing as of the day following the date of the Senior Manager's death, which shall be actuarially equivalent (as determined by the Committee) to the monthly benefit which would have been payable to the Senior Manager if he had retired on the day preceding the date of his death, assuming for such purpose that the Committee elected to waive the minimum age and service requirements in the first sentence of Section 4.1.

4.3 The Committee, in its sole discretion, may elect to waive in whole or in part any service or age reduction or discount, or any minimum age or service requirement, otherwise applicable to the amount of a benefit payable to a Senior Manager under the Plan, on such terms and conditions as the Committee may prescribe.

4.4 In the case of a Senior Manager who retires prior to attaining age 62, the Committee may, in its sole discretion, elect to provide the Senior Manager with a monthly Social Security supplement from the date of his retirement through the date he attains age 62 (or, if earlier, to the date of his death) in the amount of the Senior Manager's unreduced monthly primary Social Security benefit at age 62. This Social Security supplement shall be in addition to any other benefits provided under the Plan.

4.5 In lieu of a monthly benefit payable for the life of the Senior Manager, with the consent of the Committee, and subject to such rules as the Committee may prescribe, a Senior Manager may elect to have his benefit paid in one of the following forms: (a) fifteen equal annual installments; or (b) an annuity payable for the life of the Senior Manager and continuing to the Senior Manager's contingent annuitant for his life at one-half of the rate payable during their joint lives. Any optional form of benefit hereunder shall be actuarially equivalent (as determined by the Committee) to the standard form of benefit otherwise payable to the Senior Manager. If a Senior Manager whose benefit is being paid in fifteen annual installments dies before receiving all of the installments, the remaining installments shall be paid, when due, to his Designated Beneficiary.

4.6 Except as otherwise provided in this Section 4 and Section 5, if a Senior Manager ceases to be an Employee for any reason, neither he nor any person claiming by or through him shall be entitled to receive any benefit under the Plan.

SECTION 5. GENERAL PROVISIONS.

5.1 All benefits for which a Senior Manager would be otherwise eligible hereunder may be forfeited, in the sole and absolute discretion of the Committee, under the following circumstances:

(a) The Senior Manager is discharged for cause (as determined by the Board of Directors or the Committee in its sole and absolute discretion); or

(b) Determination by the Board of Directors or the Committee, in its sole and absolute discretion, that the Senior Manager engaged in misconduct in connection with his employment with a Convergys Entity; or

(c) The Senior Manager, without the express written consent of the Board of Directors or the Committee, at any time is employed by, becomes associated with, renders service to, or owns an interest in any business that, in the sole and absolute discretion of the Board of Directors or the Committee, is competitive with any Convergys Entity or with any business in which a Convergys Entity has a substantial interest (other than as a shareholder with a nonsubstantial interest in such business).

5.2 Assignment or alienation of pensions or other benefits under this Plan will not be permitted or recognized.

5.3 In all questions relating to age and service for eligibility for any benefit hereunder, or relating to term of employment and rates of pay for determining benefits, the decision of the Committee, based upon this Plan and upon the records of the Participating Company last employing such individual and insofar as permitted by applicable law shall be final.

5.4 All benefits payable pursuant to the Plan shall be paid from Convergys Entity operating expenses, or through the purchase of insurance from an insurance company or otherwise, as the Committee may determine. If any Convergys Entity elects to purchase insurance or other assets to provide benefits under the Plan, no Senior Manager, beneficiary or annuitant shall have any right or interest in such insurance or other assets.

5.5 Benefits payable to a former employee or retiree unable to execute a proper receipt may be paid to other person(s) on behalf of the former employee or retiree.

5.6 In the event of a Change in Control, the provisions of this Section 5.6 will supersede any conflicting provisions of the Plan.

5.6.1 In the event of a Change in Control, the full present value of all accrued benefits under the Plan and the full present value of any Excess Benefit, as determined in accordance with the provisions of the Plan and the Convergys Corporation Grantor Trust (the "Trust"), shall be fully funded to the Trust in cash or other property acceptable to the trustee, within five business days of such Change in Control. The determination of the full present value of the accrued benefits under the Plan shall be made using the following assumptions: (i) the date of retirement for each Senior Manager shall be considered to be the later of the date on which such Senior Manager's full years of age and Years of Service total 75 or the date of the Change in Control, and (ii) the interest and mortality assumptions shall be the same as those used for funding the Pension Plan for the plan year in which the Change in Control occurs or if such assumptions are not yet established, the assumptions used in the immediately preceding year. In addition, the following assumptions also apply to the determination of accrued benefits under the Plan: (i) for the purpose of the benefit formula under Section 4 of this Plan (or any equivalent successor provisions of such Plan or any successor Plan) each Senior Manager who has attained age 55 and completed at least 10 Years of Service will be considered to have a total of 75 years of age and Years of Service, and (ii) no Social Security Supplements shall be granted.

5.6.2 In the event that the Plan is terminated or partially terminated on or after a Change in Control and prior to the second anniversary of such Change in Control as defined hereinafter, each Senior Manager affected by such termination or partial determination may elect, within 90 days of the proposed distribution date (as defined below), to receive the full present value of the benefit accrued under this Plan and the Excess Pension Benefit, referred to in Section 5.6.3, accrued under the Pension Plan to the date of the termination in a single lump sum payment. If the Senior Manager so elects in accordance with this Section 5.6.2 to receive a lump sum, such lump sum shall be distributed to the Senior Manager or, in the event of the Senior Manager's death, the Senior Manager's Designated Beneficiary in the amount which equals the present value of the benefit or benefits projected to be paid under the Plan to the Senior Manager, actuarially determined using the assumptions used by the Plan's actuary for funding the Plan; provided, however, that such amount shall be further reduced by an amount equal to 10% prior to

distribution of such lump sum. The proposed distribution date of the lump sum distribution shall be no later than one year following the date of the termination or partial termination of the Plan. Once such amount is paid, the obligation of the Plan to such Senior Manager and/or his Designated Beneficiary shall be considered to be fully and irrevocably satisfied. No Senior Manager shall have any right under this Section 5.6.2 prior to the occurrence of a Change in Control.

5.6.3 For purposes of the Plan, "Excess Benefit" means that portion of the Senior Manager's pension under the Pension Plan, determined as of the proposed distribution date, that is in excess of the permissible amount which may be distributed from the Pension Plan in accordance with Sections 401(a)(17) and 415 of the Internal Revenue Code and with respect to which payments are to be made in accordance with the Pension Plan.

5.6.4 For the purposes of this Section 5.6, a "Change in Control" means and shall be deemed to occur if, on or after the Effective Date:

(i) a tender offer shall be made and consummated for the ownership of 30% or more of the outstanding voting securities of Convergys;

(ii) Convergys shall be merged or consolidated with another corporation and as a result of such merger or consolidation less than 75% of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the former shareholders of Convergys other than affiliates (within the meaning of the Securities Exchange Act of 1934) of any party to such merger or consolidation, as the same shall have existed immediately prior to such merger or consolidation;

(iii) Convergys shall sell substantially all of its assets to another corporation which is not a wholly owned subsidiary;

(iv) a person within the meaning of Section 3(a)(9) or of Section 13(d)(3) (as in effect on the Effective Date) of the Securities Exchange Act of 1934, shall acquire 20% or more of the outstanding voting securities of Convergys (whether directly, indirectly, beneficially or of records), or a person, within the meaning of Section 3(a)(9) or Section 13

(d)(3) (as in effect on the Effective Date) of the Securities Exchange Act of 1934, controls in any manner the election of a majority of the directors of Convergys, or

(v) within any period of two consecutive years commencing on or after the Effective Date, individuals who at the beginning of such period constitute the Board of Directors cease for any reason to constitute at least a majority thereof, unless the election of each director who was not a director at the beginning of such period has been approved in advance by directors representing at least two-thirds of the directors then in office who were directors at the beginning of the period. For purposes hereof, ownership of voting securities shall take into account and shall include ownership as determined by applying the provisions of Rule 13d-3(d)(1)(i) (as in effect on the Effective Date) pursuant to the Securities Exchange Act of 1934.

5.6.5 In the event of a Change in Control, the provisions of Section 5.6 may not

be deleted or amended on or subsequent to the Change in Control in any manner whatsoever which would be adverse to one or more Senior Managers without the consent of each such Senior Manager who would be so affected; provided, however, the Board of Directors may make minor or administrative changes to

Section 5.6 or changes to conform to applicable legal requirements. This

Section 5.6.5 shall not limit the Board of Directors from making any amendment to or deleting all or any portion of Section 5.6 prior to a Change in Control.

SECTION 6. PLAN MODIFICATION.

The Board of Directors retains the right to amend or terminate the Plan in whole or in part at any time, for any reason, with or without notice. Subject to the provisions of Section 5.6, said amendment or termination may result, at the discretion of the Board of Directors, in the cancellation of any entitlements or future entitlements to active Senior Managers; provided, however, that the amendment, termination or partial termination of the Plan shall not reduce the accrued benefit of any Vested Senior Manager, retired Senior Manager or his beneficiary. For purposes of the Plan, vested Senior Manager means a Senior Manager who has attained age 55 and who has completed at least ten years of service.

IN WITNESS WHEREOF, Convergys Corporation has hereunto caused its name to be subscribed as of the Effective Date.

CONVERGYS CORPORATION

By:

EXHIBIT 13 TO FORM 10-K FOR 1998

SELECTED FINANCIAL AND OPERATING DATA

(Amounts in Millions Except Per Share Amounts)	1998	1997	1996	1995	1994
RESULTS OF OPERATIONS					
Revenues	\$1,447.2	\$987.5	\$ 842.4	\$644.7	\$569.9
Costs and expenses before special items.	1,264.7	838.4	718.2	566.4	522.2
Operating income before special items.	182.5	149.1	124.2	78.3	47.7
Special items (credits)(1)	42.6	35.0	5.0	47.1	(2.0)
Operating income	139.9	114.1	119.2	31.2	49.7
Equity in earnings of cellular partnership	25.1	14.7	11.6	8.8	1.3
Other income (expense), net(2)	(0.5)	7.2	--	(13.2)	1.6
Interest expense	33.9	5.4	6.0	7.4	9.4
Income before income taxes	130.6	130.6	124.8	19.4	43.2
Income taxes	49.6	44.0	46.8	22.9	18.6
Net income (loss)	\$ 81.0	\$ 86.6	\$ 78.0	\$ (3.5)	\$ 24.6
Earnings (loss) per share(3)					
Basic	\$.57	\$.63	\$.57	\$ (.03)	\$.18
Diluted	\$.57	\$.63	\$.57	\$ (.03)	\$.18
Weighted average common shares outstanding including equivalents:					
Basic	142.7	137.0	137.0	137.0	137.0
Diluted	142.9	137.0	137.0	137.0	137.0
FINANCIAL POSITION					
Total assets	\$1,450.9	\$654.4	\$619.2	\$517.8	\$532.4
Total debt	467.0	60.3	94.7	89.2	82.1
Shareowners' equity	731.5	430.8	364.2	289.9	283.8
OTHER DATA					
Cash provided (used) by:					
Operating activities	146.4	127.4	117.7	44.6	63.5
Investing activities	(758.4)	(74.8)	(118.6)	(58.0)	(5.4)
Financing activities	613.7	(52.8)	3.2	13.4	(65.4)
EBITDA(4)	308.9	224.8	187.6	133.0	89.0

(1) See notes 3 and 4 of Notes to Financial Statements for a discussion of special items in 1998, 1997 and 1996. Special items in 1995 include a \$39.6 goodwill impairment charge related to CMG operations in France and \$7.5 of in-process research and development costs associated with IMG acquisitions. The special credit in 1994 reflects the reversal of a portion of a 1993 IMG restructuring charge.

(2) Other income (expense), net includes a \$13.3 charge resulting from the termination of a currency and interest rate swap agreement in 1995.

(3) Earnings (loss) per share for all periods prior to the initial public offering have been calculated using the number of common shares outstanding immediately prior to the Company's initial public offering.

(4) EBITDA is not defined under generally accepted accounting principles and is calculated as operating income before special items, plus depreciation and amortization expense and the Company's equity in the earnings of its investment in a cellular partnership. EBITDA is presented as an alternative measure of the Company's ability to generate cash flow for growth.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Amounts in Millions Except Per Share Amounts)

BACKGROUND

Historically, Cincinnati Bell Inc. (CBI) conducted the Company's business through two subsidiaries, Cincinnati Bell Information Systems Inc. (CBIS) and MATRIXX Marketing Inc. (MATRIXX). On April 27, 1998, CBI announced a plan to form the Convergys Corporation, to transfer to Convergys the outstanding shares of CBIS and MATRIXX, to sell up to 20% of the Company shares to the public in an initial public offering and to distribute the remaining shares of the Company to CBI shareowners. On May 8, 1998, the Company was formed as a wholly-owned subsidiary of CBI. In July 1998, CBI contributed the outstanding shares of CBIS and MATRIXX to the Company and CBIS and MATRIXX became the Information Management Group (IMG) and Customer Management Group (CMG) of Convergys, respectively. CBI also contributed to the Company its 45% limited partnership interest in a cellular communications services provider in southwestern Ohio and northern Kentucky (the Cellular Partnership). On August 13, 1998, approximately 10% of the common shares of the Company were issued to the public and on December 31, 1998, the remaining shares held by CBI were distributed to CBI shareowners (the Distribution).

The Company operates in two industry segments. IMG provides billing and customer care systems primarily for the communications, cable and broadband services industries. CMG provides a full range of outsourced marketing and customer service solutions to large companies. Both IMG and CMG are leaders in their respective industries and have maintained this position through a combination of internal growth and strategic acquisitions.

The consolidated financial statements of the Company reflect the results of operations, financial position and cash flows of the businesses contributed to the Company by CBI. The amounts presented have been carved out from the financial statements of CBI using the historical results of operations and the historical bases of the assets and liabilities of the contributed businesses. The financial statements include the allocation of certain corporate overhead expenses from CBI to the Company. Additionally, through December 23, 1998, the Company's debt financing was provided by CBI at rates based on CBI's external borrowing rates. On December 23, 1998, the Company repaid the debt payable to CBI with financing obtained through a revolving credit facility. The Company's borrowing costs are expected to be somewhat higher under its external financing arrangements. Management believes that the assumptions made in preparing the consolidated financial statements of the Company on a carve-out basis are reasonable. The financial information presented, however, may not necessarily reflect the results of operations, financial position and cash flows of the Company in the future or what they would have been had the Company been a separate, stand-alone entity during the periods presented.

The following discussion and the related consolidated financial statements and accompanying notes contain certain forward-looking statements that involve potential risks and uncertainties. The Company's future results could differ materially from results discussed in such forward-looking statements.

RESULTS OF OPERATIONS

The Company's consolidated operating results are discussed in summary form in the following section. Detailed comparisons of revenues and expenses are presented in the discussions of IMG and CMG which follow the consolidated results discussion.

CONSOLIDATED RESULTS

1998 VS. 1997

The Company's revenues in 1998 were \$1,447.2, an increase of 47% from \$987.5 in 1997. In the first quarter of 1998, the Company acquired American Transtech, Inc. and the Canadian assets of AT&T's Canadian customer care

21 Convergys Corp. 1998 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

(Amounts in Millions Except Per Share Amounts)

business (Transtech) from AT&T and the teleservices operations of Maritz Inc. (Maritz). These acquisitions contributed \$379.2 to the revenue increase. The Company's operating expenses in 1998, excluding special items, totaled \$1,264.7, an increase of 51% from \$838.4 in 1997. The acquisitions of Transtech and Maritz contributed \$359.6 to this increase. Excluding these acquisitions and special items, revenues and operating expenses both increased by 8%.

Operating income excluding special items was \$182.5 in 1998, an increase of 22% from \$149.1 in 1997. The Company recorded special items of \$42.6 in 1998 to expense in-process research and development costs associated with the acquisition of Transtech, and of \$35.0 in 1997 for a restructuring of CMG's operations. Including the special items, the Company's operating income was \$139.9 in 1998 and \$114.1 in 1997.

Cellular Partnership earnings were \$25.1 in 1998, an increase of \$10.4 over 1997. Other income (expense), net in 1998 was an expense of \$0.5 compared to income of \$7.2 in 1997. The change in this item primarily results from recognizing interest income associated with federal tax audit settlements in 1997. Interest expense increased to \$33.9 in 1998 from \$5.4 in 1997, reflecting interest associated with acquisitions. The Company's effective tax rate increased to 38.0% in 1998 from 33.7% in 1997, due to the positive impact of federal tax audit settlements in 1997. Without the impact of the federal tax audit settlements, the 1998 and 1997 effective tax rates were comparable.

Excluding special items, net income decreased to \$107.4 or \$.75 per share in 1998 from \$109.6 or \$.80 per share in 1997. This decrease in net income is due to increased interest expense from the Transtech and Maritz acquisitions and increased Year 2000 programming costs. The \$19.2 increase in Year 2000 costs in 1998 also reduced net income by \$11.9 or \$.08 per share. Including special items, net income was \$81.0 or \$.57 per share in 1998 and \$86.6 or \$.63 per share in 1997.

1997 VS. 1996

The Company's revenues in 1997 were \$987.5, an increase of 17% from \$842.4 in 1996. Operating expenses, excluding special items, were \$838.4 in 1997, an increase of 17% from \$718.2 in 1996.

Operating income excluding special items increased to \$149.1 from \$124.2 in 1996. The Company recorded special items of \$5.0 in 1996 relating to expensed in-process research and development costs associated with acquisitions at IMG and CMG. Including special items, operating income decreased to \$114.1 in 1997 from \$119.2 in 1996.

Cellular Partnership earnings increased to \$14.7 in 1997 from \$11.6 in 1996. Other income (expense), net was \$7.2 in 1997, primarily from interest income associated with the 1997 settlement of CBI's federal tax audits for 1989 through 1994. Interest expense was \$5.4 in 1997 and \$6.0 in 1996, reflecting a slight decline in borrowings in 1997, partially offset by a modest increase in interest rates. The 1997 effective tax rate was 33.7% compared to 37.5% in 1996, as a result of the settlement of the federal tax return audits.

Excluding special items, net income increased to \$109.6 or \$.80 per share in 1997 from \$81.1 or \$.59 per share in 1996. The increase occurred despite \$9.9 in Year 2000 costs during 1997, which decreased 1997 net income by \$6.1 or \$.04 per share. Including special items, net income was \$86.6 in 1997 compared to \$78.0 in 1996.

22 Convergys Corp. 1998 Annual Report

INFORMATION MANAGEMENT

	1996	1997	% Change 96 vs. 97	1996	% Change 97 vs. 96
REVENUES:					
Information processing	\$ 358.5	\$ 326.0	10	\$ 272.6	20
Professional and consulting	137.8	130.1	6	126.5	3
License and other	39.3	31.5	25	25.2	25
International	41.8	52.5	(20)	51.1	3
External revenues	577.4	540.1	7	475.4	14
Intercompany revenues	24.6	7.9		4.4	
Total revenues	602.0	548.0	10	479.8	14
COSTS AND EXPENSES:					
Costs of products and services	\$ 308.6	\$ 270.6	14	\$ 247.6	9
Selling, general and administrative expenses	66.6	66.2	1	64.2	3
Research and development costs	61.1	63.3	(3)	57.3	10
Depreciation and amortization	29.9	34.5	(13)	32.2	7
Year 2000 programming costs	19.3	8.7	122	--	--
Special items	--	--	--	3.0	--
Total costs and expenses	485.5	443.3	10	404.3	10
Operating income	\$ 116.5	\$ 104.7	11	\$ 75.5	39

1998 VS. 1997

IMG's revenues in 1998 were \$602.0, an increase of 10% from \$548.0 in 1997. Information processing revenues increased to \$358.5 in 1998 from \$326.0 in 1997. This increase was driven by clients' wireless subscriber growth of 29%, partially offset by contractual rate reductions triggered by higher subscriber levels. The Company also experienced a reduction in the number of a client's wireless long distance subscribers. Professional and consulting revenues in 1998 increased to \$137.8 from \$130.1 in 1997, reflecting an increase in services for PCS clients which was partially offset by reduced enhancement requests from AT&T and 360DEG. Communications. The AT&T decrease resulted from AT&T's move to requesting system enhancements on a national rather than a regional basis. The decrease in 360DEG. Communications professional and consulting spending was caused by its acquisition by Alltel, an IMG competitor. IMG's domestic license and other revenues increased to \$39.3 in 1998 from \$31.5 in 1997, primarily as a result of up-front license fees and equipment sales recognized in the fourth quarter of 1998 associated with the Company's new contract with Media One. International revenues decreased by \$10.7 in 1998 from 1997, reflecting the successful completion, delivery and acceptance of two long-term system development projects during 1998. The 1998 increase in intercompany revenues resulted from IMG providing processing services to CMG for the acquired Transtech operations. These services were performed at cost and did not contribute to IMG's operating income.

IMG's total costs and expenses were \$485.5 in 1998, an increase of 10% from \$443.3 in 1997. Direct costs of products and services increased \$38.0 primarily as a result of increased revenues. Higher bill finishing costs and higher wage rates, particularly for software professionals, caused direct costs to increase at a rate in excess of the revenue increase. Research and development costs decreased \$2.2, reflecting heavier spending in 1997 to prepare the Precedent 2000 platform for PCS clients. Research and development spending on the Precedent 2000 platform, to increase its functionality and scalability, continued in 1998. IMG also continued investing in research and development to enhance existing mainframe systems. Depreciation and amortization expense decreased 13% as a result of capitalized internally-developed software becoming fully amortized during 1997. Year 2000 costs totaled \$19.3 in 1998 compared to \$8.7 in 1997.

IMG's operating income increased to \$116.5 in 1998 from \$104.7 in 1997 and its operating margin increased to 19.4% from 19.1% despite increased Year 2000 spending.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

(Amounts in Millions Except Per Share Amounts)

IMG OPERATING MARGIN (EXCLUDING SPECIAL ITEMS)

[GRAPH]

1997 VS. 1996

IMG's revenues in 1997 were \$548.0, an increase of 14% from \$479.8 in 1996. Information processing revenues increased to \$326.0 in 1997 from \$272.6 in 1996, reflecting 29% growth in wireless subscribers. This increase was partially offset by a decline in a client's wireless long distance subscribers. Professional and consulting revenues increased to \$130.1 in 1997 from \$126.5 in 1996. This increase occurred entirely in the first half of 1997, reflecting increased enhancement requests from existing clients and higher levels of development work for new PCS clients as they prepared to launch their services. Domestic license and other revenue increased to \$31.5 in 1997 from \$25.2 in 1996 as a result of software license and hardware sales to clients in the cable industry. International revenues increased 3% to \$52.5 in 1997 as the effort to complete two long-term international contracts proceeded.

IMG's costs and expenses excluding special items were \$443.3 in 1997, an increase of 10% from \$401.3 in 1996. Direct costs of products and services increased \$23.0 primarily as a result of increased revenues. Research and development spending increased \$6.0 to enhance IMG's Precedent 2000 platform, as well as to enhance existing mainframe systems. Year 2000 costs totaled \$8.7 in 1997.

IMG's operating income excluding special items increased to \$104.7 in 1997 from \$78.5 in 1996, and operating margins improved to 19.1% from 16.4%. IMG's results for 1996 reflect a special item of \$3.0 related to in-process research and development costs associated with an acquisition.

CUSTOMER CONCENTRATION

IMG relies on a few large clients for the majority of its revenue. IMG's top three clients accounted for 58% of its revenues in 1998, down from 63% in 1997. IMG maintains multi-year contracts with its clients. IMG may renegotiate one or more major contracts in 1999 which could involve exchanging lower prices for longer contract terms and broader relationships. The wireless industry, which IMG serves, is currently experiencing a trend toward consolidation. 360DEG. Communications, representing approximately 10% of IMG's 1998 revenues, was acquired during 1998 by Alltel, one of IMG's competitors. The related contract extends through 2006 and does not provide for early termination without a material uncured IMG breach. However, in December 1998, Alltel purported to exercise a right to license the related software from IMG and terminate the contract. The Company has filed a request for declaratory judgment in the U.S. District Court affirming the Company's position that the contract has no provision requiring that the software be licensed nor for its early termination. In February 1999, Alltel counterclaimed against the Company, asking the U.S. District Court to declare that Alltel has the right to license the software and that the Company's failure to license constituted a breach of the contract. SBC Communications has announced its intention to acquire Ameritech, a client representing approximately 8% of IMG's 1998 revenues. IMG and Ameritech have signed a binding letter of intent which extends the current contract through 2004.

A significant amount of IMG's growth is the result of continued increases in the number of wireless subscribers in the domestic marketplace. While that trend continued in 1998, if the domestic wireless industry growth rate were to decline in the future, IMG's ability to grow revenues and earnings could be affected.

24 Convergys Corp. 1998 Annual Report

CUSTOMER MANAGEMENT

	1998	1997	% Change 98 vs. 97	1998	% Change 97 vs. 96
REVENUES:					
Dedicated services	\$ 651.0	\$ 247.9	163	\$ 150.0	65
Traditional services	181.2	170.4	6	191.1	(11)
International.	37.7	29.3	29	26.0	13
Total revenues	869.9	447.6	94	367.1	22
COSTS AND EXPENSES:					
Costs of products and services	\$ 542.3	\$ 277.5	95	\$ 221.8	25
Selling, general and administrative expenses	157.5	92.7	70	78.7	18
Research and development costs	20.7	5.3	--	1.3	--
Depreciation and amortization	71.4	26.5	--	19.6	35
Year 2000 programming costs	9.8	1.2	--	--	--
Special items.	42.6	35.0	--	2.0	--
Total costs and expenses	844.3	438.2	93	323.4	35
Operating income	\$ 25.6	\$ 9.4	172	\$ 43.7	(78)

1998 vs. 1997

CMG's revenues were \$869.9 in 1998, an increase of 94% from \$447.6 in 1997. The acquisitions of Transtech and Maritz contributed \$379.2 to the increase. The remaining increase of \$43.1 was principally from increased dedicated services revenues, which increased by \$23.9 over 1997. Traditional teleservices revenues increased \$10.8 in 1998 over 1997, reflecting the strong recovery in these revenues beginning in the third quarter of 1998. CMG's international revenues increased \$8.4 in 1998 over 1997 from new client relationships.

CMG's costs and expenses excluding special items were \$801.7 in 1998, an increase of 99% from \$403.2 in 1997. The acquisitions of Transtech and Maritz contributed \$359.6 to the increase. The remaining increase of \$38.9 included increases of \$14.9 in costs of products and services resulting from higher revenues and an \$8.6 increase in Year 2000 programming costs. CMG's research and development spending increased \$15.4 over 1997, primarily for the development of a new employee care business platform at Transtech and initiatives to integrate CMG's inbound and outbound operating systems.

CMG's operating income excluding special items increased to \$68.2 in 1998 from \$44.4 in 1997. Transtech and Maritz contributed \$19.6 to the increase, with the remaining increase attributable to revenue increases and improved margins. Cost savings related to the 1997 restructuring program and the Transtech and Maritz integration plans drove CMG's margin improvement from 6.3% in the second quarter of 1998 to 9.1% in the fourth quarter of 1998.

CMG OPERATING MARGIN

[GRAPH]

CMG's results for 1998 were impacted by lower than anticipated revenues from AT&T under the contract signed at the time of the acquisition of Transtech. During the first three years of the contract, AT&T committed to outsource \$300 in customer management services to CMG annually in the periods beginning March 1 and ending February 28. The Company's records indicate that revenues for 1998 under the contract totaled approximately \$220, which is below the rate necessary to achieve the \$300 commitment for the first annual period. However, AT&T's spending under the contract increased each quarter in 1998, rising to just over \$75 in the fourth quarter. The Company will work with

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

(Amounts in Millions Except Per Share Amounts)

AT&T at the end of the annual contract period to agree on the amount of AT&T's spending and the determination of any shortfall.

In connection with the Transtech acquisition, CMG expensed \$42.6 of in-process research and development costs in the first quarter of 1998. The amount expensed relates to two ongoing development projects at Transtech that had not reached technological feasibility at the time of the acquisition and had no alternative future use. The amount of the charge was based on an independent valuation, performed at the time of the acquisition, using the income-forecast method with a risk adjusted discount rate of 20%. One project, valued at \$21.8, is designed to provide an employee care software system that can be easily modified and customized to meet individual client needs. This project was estimated at approximately 40% complete at the date of acquisition with anticipated future development costs of \$1.4. The Company migrated two key clients to this system in 1998 with further deployment planned for 1999. The other project, valued at \$20.8, was intended to provide customers with enhanced billing detail in electronic form. This project was in its early stages of development at the date of acquisition with anticipated future development costs of \$5.7. Revenues associated with this project were initially expected to commence in 1999, however, management has delayed this project based on their view of demand for the technology. The potential failure to complete either of these projects successfully is not anticipated to have a material impact on the operating results of the Company.

1997 VS. 1996

CMG's revenues were \$447.6 in 1997, an increase of 22% from \$367.1 in 1996. Excluding the impact of acquisitions made in the second half of 1996, revenues increased \$48.0 or 13%. Dedicated services revenues were \$247.9 in 1997, an increase of 65% over 1996, primarily as a result of strong revenues from technology and communications clients and acquisitions made in the second half of 1996. Traditional teleservices revenues were \$170.4 in 1997, a decrease of 11% from 1996. The 1997 decrease in traditional teleservices revenues was the result of a reduction in marketing activities by certain clients in the second half of 1997 and overall market softness. CMG's international revenues were \$29.3 in 1997, an increase of 13% over 1996.

Costs and expenses excluding special items were \$403.2 in 1997, an increase of 25% over 1996. Costs of products and services increased \$55.7, primarily reflecting higher staffing to meet anticipated increases in business volume and wage increases. When anticipated volume levels were not fully achieved in the second half of 1997, CMG experienced significant operating margin declines. CMG's selling, general and administrative expenses increased \$14.0 over 1996, reflecting increased costs from businesses acquired in the second half of 1996 and increased costs associated with the higher volume of business. CMG's depreciation and amortization expense increased \$6.9, from increased investment for capacity and technology and the amortization of goodwill associated with acquisitions made in the second half of 1996.

In the fourth quarter of 1997, CMG recorded a restructuring charge of \$35.0 for the consolidation of certain operating divisions and facilities. The plan was approved in reaction to the decline in the traditional teleservices business experienced in the second half of 1997. The special item in 1996 was \$2.0 of expensed research and development costs associated with acquisitions.

CMG's operating income excluding special items decreased to \$44.4 in 1997 from \$45.7 in 1996. The decrease in operating income was due to the softness in the market for traditional teleservices experienced in the second half of 1997. This softness along with staffing and facilities expansion for business volume that did not materialize caused CMG's operating margin excluding special items to decrease to 9.9% in 1997 from 12.4% in 1996.

26 Convergys Corp. 1998 Annual Report

CUSTOMER CONCENTRATION

CMG's top three clients accounted for 49% of its revenues in 1998, up from 37% in 1997. The loss of any significant contracts would have an adverse effect on its revenues and profits. The acquisition of Transtech has increased the portion of CMG's revenues from its top three clients, but the related eight-year customer management agreement with AT&T helps reduce the risk of loss for that portion of the business. However, significant quarterly fluctuations may still occur. CMG must continue to win new contracts and expand its business with existing clients in a competitive industry that has current excess capacity in its call centers. CMG may negotiate an extension of a major contract in 1999 which could involve changes to current contract terms.

CONSOLIDATED FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

The Company's businesses have historically required cash for expansion, business development, acquisitions and working capital. These cash requirements have historically been funded from the Company's operating cash flows as well as funds provided by CBI. Operating cash flows have been more than sufficient to fund the Company's cash needs, other than for acquisitions.

The acquisitions of Transtech and Maritz in the first quarter of 1998 required approximately \$660 in cash, which was financed through debt payable to CBI. The \$206 in net proceeds from the initial public offering in August 1998 were used to repay a portion of the debt payable to CBI. In December 1998, the Company entered into and borrowed against a \$600 credit facility to fund its operations and to repay in full its remaining debt payable to CBI. At December 31, 1998, the Company had approximately \$460 in outstanding borrowings under the credit facility, which extends through December 15, 1999.

The Company's operating activities generated \$146.4 in cash in 1998 compared to \$127.4 in 1997. The Transtech and Maritz acquisitions in the first quarter of 1998 required cash to finance post-acquisition working capital needs, as accounts receivable for both acquired entities increased, as expected, from the levels at the acquisition date. Excluding approximately \$50 in cash used to finance these working capital needs, cash provided by operating activities in 1998 was approximately \$196.

CASH FLOWS FROM OPERATIONS

[GRAPH]

Capital expenditures were a significant use of cash in 1998. Excluding acquisitions, capital expenditures in 1998 were approximately \$94, up \$33 from 1997. During 1998, the Company incurred \$6.6 in cash outflows related to the 1997 CMG restructuring plan. Future cash outflows under the plan are expected to be approximately \$11, primarily for ongoing facility lease obligations.

Cash provided by operating activities was \$127.4 in 1997 compared to \$117.7 in 1996. The increase in cash flows from operations in 1997 was the result of the increase in the Company's earnings excluding non-cash special items. This was partially offset by a \$20 increase in accounts receivable caused by higher revenue levels and somewhat slower cash collections and a \$18 decrease in payables and other current liabilities. The Company's spending for acquisitions totaled \$13.9 in 1997 and \$62.4 in 1996. In 1997, the Company's only acquisition was its purchase of approximately 20%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

(Amounts in Millions Except Per Share Amounts)

ownership of Wiztec Solutions Ltd. (Wiztec). In 1996, the Company's acquisition spending included payments for the 1996 acquisitions of Software Support Inc. and three smaller acquisitions, as well as a final payment related to the 1995 acquisition of Information Systems Development Partnership. Excluding acquisitions, capital expenditures in 1997 were approximately \$61, up from approximately \$56 in 1996.

BALANCE SHEET

The \$91.4 increase in accounts receivable during 1998 was largely the result of receivables associated with the acquired operations of Transtech and Maritz. Increases in property, plant and equipment, goodwill and other tangibles, outstanding debt and payables and other current liabilities, were also caused by these acquisitions. The increase in deferred charges and other current assets was principally from the \$16.2 deferred tax benefit associated with the expensing of Transtech purchased research and development costs.

YEAR 2000 PROGRAMMING

The Company initiated a program in 1995 to identify and address issues associated with the ability of its date-sensitive information and business systems and equipment to recognize the Year 2000 properly. Given its reliance on its information and business systems, the Company's Year 2000 efforts have primarily focused on information technology systems. The Company incurred \$29.1 in expenses during 1998 in order to prepare for the Year 2000 and \$9.9 in 1997. The Company estimates its Year 2000 expenses in 1999 will be in a range of \$10 to \$15. Approximately 40% of the Company's 1998 Year 2000 spending was paid to third-party service providers.

A steering committee chaired by the Company's Chief Executive Officer and composed of upper-level management personnel, has set the direction for, and monitored the activity of, Convergys' Year 2000 Program Management Office. The Program Management Office's responsibility is to make Convergys Year 2000 compliant. This effort includes communicating with vendors and clients with which the Company's systems interface or upon whom the Company's systems rely, to determine their progress toward Year 2000 compliance. Senior management reports on the Company's progress toward Year 2000 compliance at each meeting of the Company's Board of Directors.

IMG has adopted a repair strategy to modify its existing systems for the Year 2000. IMG's assessment, remediation and testing phases of the project are substantially complete and IMG is in the process of completing implementation procedures. IMG's goal is for data centers, software and other information technology systems to be Year 2000 compliant and tested by June 30, 1999.

CMG has also adopted a strategy that includes both repair and, in some cases, replacement of current systems. CMG has completed the assessment and remediation phases of its plan and is substantially complete with regard to systems testing. Implementation efforts are currently underway. CMG's goal is for software, telecom equipment and other information technology systems to be Year 2000 compliant by June 30, 1999.

The Company maintains business continuity plans to limit disruptions to its operations. As part of its Year 2000 efforts, the Company has updated these plans to address Year 2000 issues. The Company has obtained Year 2000 compliance statements from all significant vendors. Although the Company anticipates minimal business disruption as a result of the century change, if the Company were to be unsuccessful in preparing for the Year 2000, this could have a material adverse impact on the Company. This could include the inability of IMG to process bills and other transactions for its clients in a timely manner, which could lead to the incurrence of contractual penalties. Similarly, this could include disruptions to CMG's ability to handle

28 Convergys Corp. 1998 Annual Report

client call volumes appropriately, which could also lead to contractual penalties. The failure of one of the Company's significant clients or vendors (in particular, utilities or telecommunication services providers) to prepare for the Year 2000 successfully could have a material adverse impact on the Company.

MARKET RISK

The Company is exposed to the impact of interest rate changes and, to a lesser extent, foreign currency fluctuations. It is the Company's policy to enter into interest rate and foreign currency transactions only to the extent considered necessary to meet its objectives. The Company has not entered into interest rate or foreign currency transactions for speculative purposes. The Company's foreign currency exposures were immaterial at December 31, 1998.

The Company's exposure to interest rate risk results from its variable rate short-term debt outstanding under its credit facility. At December 31, 1998, the Company had \$460.0 in short-term debt outstanding bearing interest at a variable rate, which is equal to LIBOR plus an index based on the Company's credit ratings. Based upon the Company's level of variable rate debt at December 31, 1998, a one percentage point increase in the weighted average interest rate would increase the Company's annual interest expense by approximately \$4.6.

FLUCTUATIONS IN QUARTERLY RESULTS

The Company has experienced, and in the future could experience, quarterly variations in revenues as a result of a variety of factors, many of which are outside of the control of the Company. These factors include: the timing of new contracts, the timing of increased expenses incurred in support of new business, the timing and frequency of client spending for system enhancement requests, the timing of contractual rate reductions triggered by subscriber growth and the seasonal pattern of the customer management segment of the Company.

BUSINESS DEVELOPMENT

On February 17, 1999, the Company announced an agreement to increase its ownership in Wiztec from nearly 20% to approximately 70%. Wiztec, based in Herzlia, Israel, is a provider of subscriber management systems for multi-channel subscription television operators. The additional investment of approximately \$53 will be financed using its revolving credit facility. The investment may dilute earnings per share by \$.01 to \$.03 for one to two years.

29 Convergys Corp. 1998 Annual Report

REPORT OF MANAGEMENT

Management is responsible for the preparation of Convergys Corporation's consolidated financial statements and all related information appearing in this Annual Report. The consolidated financial statements and notes have been prepared in conformity with generally accepted accounting principles and include certain amounts which are estimates based upon currently available information and management's judgment of current conditions and circumstances.

To provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that accounting records are reliable for preparing financial statements, management maintains a system of accounting and other controls, including an internal audit function. Even an effective internal control system, no matter how well designed, has inherent limitations--including the possibility of circumvention or over-riding of controls--and therefore can provide only reasonable assurance with respect to financial statement presentation. The system of accounting and other controls is improved and modified in response to changes in business conditions and operations and recommendations made by the independent accountants and the internal auditors.

The Audit and Finance Committee of the Board of Directors, which is composed of directors who are not employees, meets periodically with management, the internal auditors and the independent accountants to review the manner in which these groups of individuals are performing their responsibilities and to carry out the Committee's oversight role with respect to auditing, internal controls and financial reporting matters. Periodically, both the internal auditors and the independent accountants meet privately with the Committee and have access to its individual members.

Convergys engaged PricewaterhouseCoopers LLP, independent accountants, to audit the consolidated financial statements in accordance with generally accepted auditing standards, which include consideration of the internal control structure. Their report appears on this page.

/s/ Steven G. Rolls
Steven G. Rolls
Chief Financial Officer
Officer

/s/ Andre S. Valentine
Andre S. Valentine
Chief Accounting

REPORT OF INDEPENDENT ACCOUNTANTS

TO THE BOARD OF DIRECTORS AND SHAREOWNERS OF CONVERGYS CORPORATION:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and comprehensive income, shareowners' equity and cash flows present fairly, in all material respects, the financial position of Convergys Corporation and its subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers
LLP

PricewaterhouseCoopers LLP
Cincinnati, Ohio
February 18, 1999

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Year Ended December 31,

(Amounts in Millions Except Per Share Amounts)	1998	1997	1996
Revenues	\$ 1,447.2	\$ 987.5	\$ 842.4
Costs and expenses:			
Costs of products and services	826.4	540.2	465.0
Selling, general and administrative expenses	226.0	158.7	142.8
Research and development costs	81.9	68.6	58.6
Depreciation and amortization	101.3	61.0	51.8
Year 2000 programming costs	29.1	9.9	--
Purchased research and development costs	42.6	--	5.0
Restructuring charge	--	35.0	--
Total costs and expenses	1,307.3	873.4	723.2
OPERATING INCOME	139.9	114.1	119.2
Equity in earnings of cellular partnership	25.1	14.7	11.6
Other income (expense), net	(0.5)	7.2	--
Interest expense	33.9	5.4	6.0
Income before income taxes	130.6	130.6	124.8
Income taxes	49.6	44.0	46.8
NET INCOME	\$ 81.0	\$ 86.6	\$ 78.0
Other comprehensive income:			
Foreign currency translation adjustments	\$ (3.0)	\$ (1.6)	\$ (0.4)
Unrealized loss on investment	(2.0)	--	--
COMPREHENSIVE INCOME	\$ 76.0	\$ 85.0	\$ 77.6
Earnings per common share:			
Basic	\$.57	\$.63	\$.57
Diluted	\$.57	\$.63	\$.57
Weighted average common shares outstanding:			
Basic	142.7	137.0	137.0
Diluted	142.9	137.0	137.0

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

CONSOLIDATED BALANCE SHEETS

at December 31,

(Amounts in Millions Except Per Share Amounts)	1998	
1997		

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3.8	\$
2.1		
Receivables, net of allowances of \$9.8 and \$6.4	314.3	
222.9		
Deferred income tax benefits.	10.9	
13.7		
Prepaid expenses and other current assets	31.5	
27.1		

Total current assets	360.5	
265.8		
Property and equipment, net	249.8	
130.0		
Goodwill and other intangibles, net	687.4	
177.6		
Investment in cellular partnership	81.6	
56.5		
Deferred charges and other assets	71.6	
24.5		

TOTAL ASSETS.	\$ 1,450.9	\$
654.4		

LIABILITIES AND SHAREOWNERS' EQUITY		
CURRENT LIABILITIES		
Debt maturing within one year	\$ 466.8	\$
59.1		
Payables and other current liabilities.	231.1	
157.5		

Total current liabilities	697.9	
216.6		
Long-term liabilities	21.5	
7.0		

Total liabilities	719.4	
223.6		

COMMITMENTS AND CONTINGENCIES		
SHAREOWNERS' EQUITY		
Common shares--without par value, 500,000,000 authorized, 151,950,000 issued and outstanding.	206.0	
--		
Additional paid-in capital.	475.1	
--		
Retained earnings	53.0	
--		
Shareowner's net investment	--	
428.4		
Accumulated other comprehensive income.	(2.6)	
2.4		

Total shareowners' equity	731.5	
430.8		

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

32 Convergys Corp. 1998 Annual Report

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Millions)	Year Ended December 31,		
	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 81.0	\$ 86.6	\$ 78.0
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	101.3	61.0	51.8
Deferred income tax benefit	(8.3)	(13.0)	(0.2)
Restructuring charge	--	35.0	--
Purchased research and development costs	42.6	--	5.0
Undistributed earnings of cellular partnership	(25.1)	(2.1)	(5.1)
Changes in assets and liabilities net of effects from acquisitions:			
Increase in receivables	(41.8)	(16.2)	(43.3)
Increase in other current assets	(2.6)	(9.3)	(1.5)
Increase (decrease) in payables and other current liabilities	7.4	(18.0)	25.7
Other, net	(8.1)	3.4	7.3
Net cash provided by operating activities	146.4	127.4	117.7
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(93.5)	(60.9)	(56.2)
Acquisitions, net of cash acquired	(664.9)	(13.9)	(62.4)
Net cash used in investing activities	(758.4)	(74.8)	(118.6)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings under revolving credit facility, net	460.0	--	--
Repayment of long-term debt	--	(9.4)	(8.5)
Change in debt payable to CBI, net	(52.3)	(25.0)	15.0
Transfers to CBI, net	--	(18.4)	(3.3)
Issuance of common shares (net of \$14.7 issuance costs)	206.0	--	--
Net cash provided (used) in financing activities	613.7	(52.8)	3.2
Net increase (decrease) in cash and cash equivalents	1.7	(0.2)	2.3
Cash and cash equivalents at beginning of year	2.1	2.3	--
Cash and cash equivalents at end of year	\$ 3.8	\$ 2.1	\$ 2.3
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for interest	\$ 33.2	\$ 5.4	\$ 6.0
Income taxes paid, net of refunds	\$ 21.8	\$ 47.9	\$ 38.4

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

CONSOLIDATED STATEMENTS OF SHAREOWNERS' EQUITY

(Amounts in Millions)	Number of Shares	Common Shares	Additional Paid-in Capital	Retained Earnings	Shareowner's Investment	Accumulated Other Comprehensive Income	Total
BALANCE AT JANUARY 1, 1996					\$ 285.5	\$ 4.4	\$ 289.9
Net income					78.0	--	78.0
Transfers to CBI, net.					(3.3)	--	(3.3)
Currency translation adjustments					--	(0.4)	(0.4)
BALANCE AT DECEMBER 31, 1996					360.2	4.0	364.2
Net income					86.6	--	86.6
Transfers to CBI, net.					(18.4)	--	(18.4)
Currency translation adjustments					--	(1.6)	(1.6)
BALANCE AT DECEMBER 31, 1997					428.4	2.4	430.8
Net income				\$ 53.0	28.0		81.0
Initial capitalization of Company, after share split.	137.0		\$ 457.1		(457.1)		--
Issuance of common shares.	14.9	\$ 206.0					206.0
Currency translation adjustments						(3.0)	(3.0)
Unrealized loss on investment.						(2.0)	(2.0)
Transfers from CBI, net			18.0		0.7		18.7
BALANCE AT DECEMBER 31, 1998	151.9	\$ 206.0	\$ 475.1	\$ 53.0	\$ --	\$ (2.6)	\$ 731.5

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

34 Convergys Corp. 1998 Annual Report

NOTES TO FINANCIAL STATEMENTS

(Amounts in Millions Except Per Share Amounts)

1. **BACKGROUND AND BASIS OF PRESENTATION** The Company was organized on May 8, 1998, as a wholly owned subsidiary of Cincinnati Bell Inc. (CBI) with 100 common shares outstanding. In the second quarter of 1998, CBI announced its intention to contribute to the Company the outstanding common shares of Cincinnati Bell Information Systems Inc. (CBIS) and MATRIX Marketing Inc. (MATRIX), to sell up to 20% of the Company's outstanding shares in an initial public offering and to distribute the remaining shares of the Company to shareowners of CBI in late 1998. In July 1998, CBI contributed to the Company the outstanding common shares of CBIS and MATRIX along with its 45% limited partnership interest in a cellular communications services provider in southwestern and central Ohio and northern Kentucky (the Cellular Partnership). Upon transfer of the common shares of CBIS and MATRIX, the two subsidiaries became subsidiaries of the Company doing business as the Information Management Group (IMG) and Customer Management Group (CMG), respectively.

Effective August 4, 1998, the Company approved a share split which increased the number of outstanding common shares to 137.0 million. On August 13, 1998, the Company issued an additional 14.95 million common shares, approximately 10% of the then outstanding shares, to the public at a price of \$15 per share less underwriting discounts and commissions of \$.98 per share (the Offering). On December 31, 1998, CBI distributed all of its remaining interest in the Company (the Distribution).

The consolidated financial statements reflect the results of operations, financial position, and cash flows of the businesses contributed to the Company as if the Company were a separate entity for all periods presented. The consolidated financial statements have been prepared using the historical results of operations and bases of the assets and liabilities of the businesses. The financial statements include the allocation of certain expenses relating to the Company from CBI. Additionally, the financial statements reflect allocations of CBI debt, interest expense and pension and postretirement benefit plan expense. Management believes these allocations are reasonable. However, the costs of these items charged to the Company by CBI are not necessarily indicative of the costs that would have been incurred if the Company had performed these functions or funded its operations as a stand-alone entity. Management expects that the Company's costs for these items may be slightly higher in future periods. All material intercompany transactions and balances between the Company and its subsidiaries have been eliminated. Certain prior year amounts have been reclassified to conform to current year presentation.

The financial information presented may not necessarily reflect the consolidated results of operations, financial position, changes in shareowners' equity and cash flows of the Company in the future or what they would have been had it been a separate, stand-alone entity during the periods presented.

2. **ACCOUNTING POLICIES CONSOLIDATION**--The consolidated financial statements include the accounts of the Company's wholly owned subsidiaries, IMG and CMG. IMG provides information systems and billing services for the communications, cable and broadband services industries. CMG provides a full range of outsourced marketing and customer service solutions to large companies. The Cellular Partnership interest is accounted for under the equity method.

35 Convergys Corp. 1998 Annual Report

NOTES TO FINANCIAL STATEMENTS

(Amounts in Millions Except Per Share Amounts)

2. ACCOUNTING POLICIES (CONTINUED) USE OF ESTIMATES--Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

CASH EQUIVALENTS--Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less.

PROPERTY AND EQUIPMENT--Property and equipment is stated at cost. Purchased software used in the Company's business is capitalized at cost. The Company's provision for depreciation and amortization is based on the straight-line method over the estimated useful lives of the assets. Buildings are depreciated over a thirty-year life, software over a three- to five-year life and equipment generally over a five-year life. Leasehold improvements are depreciated over the shorter of their estimated useful life or the remaining term of the associated lease. For property and equipment retired or sold, the gain or loss is recognized in other income.

SOFTWARE DEVELOPMENT COSTS--Research and development expenditures and Year 2000 programming costs are charged to expense as incurred. The development costs of software to be marketed are charged to expense until technological feasibility is established, and capitalized thereafter. Amortization of the capitalized amounts is computed using the greater of the sales ratio method or the straight-line method over a life of four years or less. At both December 31, 1998 and 1997, capitalized software was fully amortized.

GOODWILL AND OTHER INTANGIBLES--Goodwill resulting from the purchase of businesses and other intangibles are recorded at cost and amortized on a straight-line basis over lives ranging from five to forty years. Goodwill and other intangibles are evaluated periodically if events or circumstances indicate a possible inability to recover their carrying amounts. Such evaluation is based on various analyses, including cash flow and profitability projections. If future expected undiscounted cash flows are insufficient to recover the carrying amount of the asset, then an impairment loss is recognized based upon the excess of the carrying value of the asset over the anticipated cash flows on a discounted basis.

REVENUE RECOGNITION--IMG's revenues include data processing and professional and consulting revenues, which are recognized as services are performed. Revenues from software maintenance agreements are recognized over the maintenance period. In 1998, the Company adopted American Institute of Certified Public Accountants Statement of Position (SOP) 97-2, "Software Revenue Recognition." Accordingly, initial software license revenues are recognized upon delivery and acceptance of the software provided that there are no significant obligations related to the software delivered, no collection uncertainties, and if objective evidence exists to support the fair value of all elements included in the agreement. The adoption of SOP 97-2 did not have a material effect on operating results in 1998. On certain long-term communications systems development contracts, the percentage of completion method is used to recognize revenues, with progress toward completion measured on a cost-to-cost basis. The effect of contract revisions is recorded in the period the changes become known. CMG's revenues are generally recognized as the related customer management services are performed.

INCOME TAXES--The Company's operations have been included in CBI's consolidated income tax returns for all periods up to the date of the Distribution. Income tax expense has been calculated on a separate tax return basis. The provision for income taxes consists of an amount for taxes currently payable and a provision for deferred taxes using the liability method.

36 Convergys Corp. 1998 Annual Report

STOCK-BASED COMPENSATION--Compensation cost associated with stock options issued to Company employees is measured as the excess of the market value over the exercise price on the date of grant.

CURRENCY TRANSLATION--Assets and liabilities of foreign operations, where the functional currency is the local currency, are translated to U.S. dollars at year-end exchange rates. Revenue and expenses are translated at average exchange rates for the year. Translation adjustments are accumulated and reflected as adjustments to comprehensive income.

FINANCIAL INSTRUMENTS--The Company's financial instruments consist of cash, cash equivalents and debt. The carrying amount of such instruments approximates fair value based on their short maturities.

3. **ACQUISITIONS** Effective February 28, 1998, CMG acquired American Transtech, Inc. and the assets of AT&T's Canadian customer care business (Transtech) from AT&T for approximately \$625 in cash. The acquisition was accounted for under the purchase method of accounting and was financed through short-term, variable rate debt issued by CBI, which was allocated to the Company by CBI.

The Company allocated \$68.2 of the purchase price to an eight-year contract under which the Company will provide customer management services to AT&T, \$11.4 to the assembled workforce which will be amortized over a fifteen-year useful life, \$4.4 to capitalized software to be amortized over a three-year useful life and \$91.0 to the fair value of the acquired tangible net assets. The Company allocated \$42.6 to two research and development projects that were in process at the time of the acquisition. These projects had not reached technological feasibility at the time of the acquisition and had no alternative future use. The fair values of the acquired assets were determined by an independent valuation performed at the time of the acquisition. The excess of the purchase price and acquisition costs over the fair value of the assets acquired was recorded as goodwill, which is being amortized on a straight-line basis over a thirty-year life.

At the time of the acquisition, the Company began a process of evaluating an integration plan for the acquired operations. The Company has accrued as an addition to goodwill approximately \$9.0 for severance of approximately 375 employees and other integration costs under this plan. Severance payments through December 31, 1998 under the plan were \$5.6. The remaining severance amounts will be paid in the first half of 1999.

The following unaudited pro forma data summarizes the combined results of operations of the Company and Transtech as though the acquisition had occurred as of the beginning of each period:

31, 1997	Year Ended December 1998	

Revenues	\$ 1,509.6	\$ 1,389.9
Net income	\$ 75.6	\$ 73.5
Earnings per share:		
Basic	\$.53	\$.54
Diluted	\$.53	\$.54

In January 1998, CMG acquired the customer management assets of Maritz, Inc. for approximately \$30 in cash. The acquisition agreement contains provisions that could increase the purchase price by up to approximately \$20 based upon the operating results of the acquired business over the two-year period after the acquisition. Any increase to the purchase price will be reflected as additional goodwill. The acquisition was accounted for under the purchase method of accounting with resulting goodwill amortized over a twenty-five year life.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Amounts in Millions Except Per Share Amounts)

4. BUSINESS RESTRUCTURING In the fourth quarter of 1997, a restructuring plan for CMG was approved. The restructuring plan included the consolidation of certain CMG operating divisions and facilities. CMG recorded a special charge of \$35.0 which reduced net income by \$23.0. The charge included \$9.5 in lease termination costs, \$7.5 in severance pay under existing severance plans, \$7.6 in non-cash goodwill writedowns associated with restructured operations, \$6.3 in non-cash property and equipment writedowns related to facilities to be closed and \$4.1 in other restructuring costs. The Company anticipated the severance of approximately 425 employees under the plan.

Restructuring liability activity consists of the following:

	1998	1997
Balance at January 1	\$ 24.9	--
Restructuring charge	--	\$ 35.0
Goodwill writedown	--	--
(7.6)		
Equipment writedowns	(5.2)	
(1.1)		
Severance payments	(3.9)	
(1.4)		
Lease termination payments . .	(1.6)	--
Other costs	(1.1)	--
Balance at December 31	\$ 13.1	\$ 24.9

At December 31, 1998, the balance of the restructuring liability was principally related to costs for facility closures, including \$7.8 for lease termination costs, \$2.1 for equipment disposals, \$1.8 for severance and \$1.5 for other facility consolidation costs. Remaining cash outflows under the plan are expected to be approximately \$11 million. Management expects the restructuring plan activities to be substantially completed by the end of 1999.

5. INCOME TAXES The Company's provision for income taxes, calculated on a separate return basis, consists of the following:

Year Ended December 31,

	1998	1997	1996
Current:			
Federal	\$ 45.2	\$ 45.6	\$ 40.0
Foreign	3.3	0.4	0.5
State and local.	9.4	11.0	6.5

Total current.	57.9	57.0	47.0
Deferred	(8.3)	(13.0)	(0.2)

Total	\$ 49.6	\$ 44.0	\$ 46.8

The components of the Company's deferred tax assets and liabilities are as follows:

	at December 31,	
	1998	1997

Deferred tax asset:		
Restructuring charge	\$ 4.6	\$ 11.1
Loss carryforwards	26.1	26.0
Depreciation and amortization.	7.9	--
Other	11.9	9.8
Valuation allowance	(21.0)	
(21.0)		

Total deferred tax asset . . .	29.5	25.9

Deferred tax liability:		
Depreciation and amortization.	--	4.6
Other	1.0	1.1

Total deferred tax liability .	1.0	5.7

Net deferred tax asset	\$ 28.5	\$ 20.2

The following is a reconciliation of the statutory federal income tax rate with the effective tax rate for each year:

	1998	1997	1996
U.S. federal statutory rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal income tax benefit	4.0	4.3	3.2
Research tax credits	(2.9)	(10.4)	(1.5)
Amortization and writedown of intangible assets	1.6	2.4	1.2
Other differences	0.3	2.4	(0.4)
Effective rate	38.0%	33.7%	37.5%

The resolution of CBI's federal tax return audits for 1989 through 1994 resulted in the recognition of a significant amount of research and experimentation tax credits in 1997.

The Company had U.S. capital loss carryforwards at both December 31, 1998 and 1997 of approximately \$60.0 which expire on December 31, 1999. Utilization of these capital losses is dependent upon the generation of future capital gains and, accordingly, a valuation allowance has been established for the related deferred tax asset.

6. DEBT

Debt maturing within one year consists of the following:

	at December 31,		
	1998	1997	1996
Revolving credit facility	\$ 460.0	--	--
Indebtedness payable to CBI	--	\$ 53.0	\$ 78.0
Other	6.8	6.1	8.4
Total	\$ 466.8	\$ 59.1	\$ 86.4
Weighted average interest rates:			
Revolving credit facility	6.2%	--	--
Indebtedness payable to CBI	5.8%	7.2%	
	7.0%		

At December 31, 1998, the Company had a \$600.0 revolving credit facility extending through December 15, 1999. Borrowings under the facility at December 31, 1998 were \$460.0, which were principally used to repay outstanding intercompany indebtedness payable to CBI on December 23, 1998. The credit agreement includes certain restrictive covenants including maintenance of interest coverage and debt to capitalization ratios. Interest rates under the credit facility are generally based on LIBOR adjusted for an index related to the Company's credit ratings.

Through December 23, 1998, the Company's consolidated financial statements included an allocation of CBI's consolidated debt and the related interest expense. The allocation was based on the terms of the Plan of Reorganization and Distribution Agreement between the Company and CBI. An allocation methodology was used to reflect the capital structure through each historic period presented based on cash flows for those periods adjusted for interest expense. This debt was classified as short-term given the requirement to repay the amount to CBI at or before the Distribution. Interest expense was determined based on the average interest rate for CBI short-term debt in 1998 and the weighted average interest rate for CBI short-term and long-term debt in 1997 and 1996. The Company believes the allocations of interest expense from CBI are reasonable estimates of the cost of financing the Company's assets and operations in the past. However, the Company's future interest expense will be based on its revolving credit facility and any other future financing arrangements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Amounts in Millions Except Per Share Amounts)

7. EMPLOYEE BENEFIT PLANS The Company's financial statements reflect the costs experienced for its employees and retirees while included in CBI benefit plans. Effective January 1, 1999, the Company assumed responsibility for employee benefit plans covering its active employees and retirees.

PENSIONS

Through December 31, 1998, certain Company employees participated in three noncontributory CBI defined benefit pension plans: one for eligible management employees, one for nonmanagement employees and one supplementary, nonqualified, unfunded plan for certain senior managers. The pension benefit formula for the CBI management plan is a cash balance plan where the pension benefits are determined by a combination of compensation-based credits and annual guaranteed interest credits. The CBI nonmanagement pension is also a cash balance plan with benefits that are determined by a combination of service and job classification based credits and annual interest credits. Benefits for the supplementary plan are based on years of service and eligible pay. Funding of the CBI management and nonmanagement plans has been achieved through contributions made by CBI to an irrevocable trust fund. The contributions have been determined using the aggregate cost method. CBI uses the projected unit credit cost method for determining pension cost for financial reporting purposes.

Effective January 1, 1999, pension assets were divided between the pension trusts of the Company and CBI so that each company's plans has the required assets to meet the minimum requirements set forth in applicable benefit and tax regulations. The remaining assets in excess of the minimum requirements will be divided between the pension trusts of the Company and CBI in accordance with the Employee Benefits Agreement between the two companies. Subject to final adjustment, the projected benefit obligation and plan assets to be transferred to the Company's plans effective January 1, 1999 were \$79.5 and \$168.2, respectively. The Company's share of the plans' unrecognized transition asset, prior service cost and net gains at December 31, 1998 were estimated to be \$2.1, \$4.7 and \$67.3, respectively. The Company has recorded a prepaid pension asset of \$24.0 at December 31, 1998.

The following information relates to the entire CBI noncontributory defined benefit pension plans.

CBI pension cost included the following components:

	Year Ended December 31,		
	1998	1997	1996
Service cost (benefits earned during the period)	\$ 15.5	\$ 8.5	\$ 7.2
Interest cost on projected benefit obligation	35.0	37.6	35.3
Expected return on plan assets	(44.5)	(42.9)	
(33.5)			
Amortization and deferrals--net	0.7	(0.6)	
(1.0)			
Settlement gains	--	(21.0)	
(27.4)			
Pension cost (income)	\$ 6.7	\$ (18.4)	\$
(19.4)			
Company portion of pension cost	\$ 6.0	\$ 2.2	\$ 1.8

The following table sets forth the CBI pension plans' funded status:

	1998	1997

CHANGE IN BENEFIT OBLIGATION:		
Benefit obligation at beginning of year	\$ 514.9	\$ 587.3
Service cost	15.5	8.5
Interest cost	35.0	37.6
Amendments	1.8	3.5
Actuarial loss	32.3	1.1
Settlement	--	
(76.3)		
Curtailement	0.9	
(0.2)		
Benefits paid	(44.4)	
(46.6)		

Benefit obligation at end of year	556.0	514.9
CHANGE IN PLAN ASSETS:		
Fair value of plan assets at beginning of year . .	700.0	698.6
Actual return on plan assets	86.5	108.1
Employer contribution	5.4	16.2
Benefits paid	(44.4)	
(46.6)		
Settlement	--	
(76.3)		

Fair value of plan assets at end of year	747.5	700.0
Funded status	191.5	185.1
Unrecognized transition asset	(16.5)	
(18.7)		
Unrecognized prior cost	23.9	23.8
Unrecognized net gain	(172.8)	
(162.7)		

Prepaid benefit expense	\$ 26.1	\$ 27.5

At December 31, 1998, plan assets include \$52.8 of Company and CBI common shares.

CBI used the following rates in determining the actuarial present value of the projected benefit obligation and pension cost for the three CBI pension plans:

	Year Ended December 31,		
	1998	1997	1996

Discount rate--projected benefit obligation	6.50%	7.00%	7.25%
Future compensation growth rate	4.00%	4.00%	4.00%
Expected long-term rate of return on plan assets . . .	8.25%	8.25%	8.25%

SAVINGS PLANS

The Company sponsors defined contribution plans covering substantially all employees. The Company's contributions to the plans are based on matching a portion of the employee contributions or on a percentage of employee earnings or net income for the year. Total Company contributions to the defined contribution plans were \$6.8, \$5.8 and \$6.2 for 1998, 1997 and 1996, respectively.

EMPLOYEE POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

Through December 31, 1998, certain Company employees participated in CBI plans offering healthcare and group life insurance benefits for participants that retire with a pension benefit under the CBI pension plans. CBI funds its group life insurance benefits through Retirement Funding Accounts (RFAs) and funds healthcare benefits using Voluntary Employee Benefit Association (VEBA) trusts. It is CBI's practice to fund amounts as deemed appropriate from time to time. Contributions are subject to IRS limitations developed using the aggregate cost method. The associated plan assets are primarily equity securities and fixed income investments.

Effective January 1, 1999, the Company established separate postretirement health and life insurance plans for certain eligible employees. As of December 31, 1998, subject to final adjustment, the projected benefit obligation and plan assets to be transferred to the Company's plans effective January 1, 1999 from CBI's plans were \$17.6 and \$5.8, respectively. The Company's share of the plans' unrecognized transition obligation, prior service cost and net loss at December 31, 1998 were estimated to be \$3.6, \$0.3 and \$1.5, respectively. The Company has recorded an accrued postretirement benefit liability of \$6.4 at December 31, 1998.

The following information relates to the CBI postretirement healthcare and life insurance benefit plans in their entirety.

41 Convergys Corp. 1998 Annual Report

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Amounts in Millions Except Per Share Amounts)

7. EMPLOYEE BENEFIT PLANS (CONTINUED) The components of postretirement benefit cost for CBI are as follows:

	Year Ended December 31,		
	1998	1997	1996

	1998	1997	1996

Service cost (benefits earned during the period)	\$ 2.5	\$ 2.1	\$ 1.8
Interest cost on accumulated postretirement benefit obligation.	16.1	16.1	15.6
Expected return on plan assets (5.7)	(9.4)	(7.4)	
Amortization and deferrals--net.	5.1	5.3	5.3

Postretirement benefit expense	\$ 14.3	\$ 16.1	\$ 17.0

Company portion of postretirement benefit expense	\$ 2.0	\$ 1.8	\$ 1.6

The aggregate funded status of the CBI plans is:

	1998	1997

CHANGE IN BENEFIT OBLIGATION:		
Benefit obligation at beginning of year	\$ 236.7	\$ 227.3
Service cost	2.5	2.1
Interest cost	16.1	16.1
Actuarial loss	14.1	6.2
Benefits paid	(17.0)	
(15.0)		

Benefit obligation at end of year	252.4	236.7
CHANGE IN PLAN ASSETS:		
Fair value of plan assets at beginning of year	116.8	95.1
Actual return on plan assets	18.7	23.7
Employer contribution	15.2	13.0
Benefits paid	(17.0)	
(15.0)		

Fair value of plan assets at end of year	133.7	116.8
Funded status	(118.7)	
(119.9)		
Unrecognized transition obligation	72.2	77.3
Unrecognized prior service cost	2.9	3.1
Unrecognized net gain	(10.3)	
(15.3)		

Accrued benefit expense	\$ (53.9)	\$
(54.8)		

The transition obligation is being amortized by CBI over twenty years.

CBI used the following rates in determining the actuarial present value of the accumulated postretirement benefit obligation (APBO) and postretirement benefit costs:

	Year Ended December 31,		
	1998	1997	1996

Discount rate--APBO	6.50%	7.00%	7.25%
Expected long-term rate of return for VEBA assets	8.25%	8.25%	8.25%
Expected long-term rate of return for RFA assets	8.00%	8.00%	8.00%

The assumed healthcare cost trend rate used to measure the CBI postretirement health benefit obligation at December 31, 1998 was 5.4% and is assumed to decrease gradually to 4.3% by the year 2005. A one percentage point increase or decrease in the assumed healthcare cost trend rate would change the aggregate of the service and interest cost components and the CBI accumulated postretirement benefit obligation by approximately 4%.

8. COMMON AND PREFERRED SHARES

SHAREHOLDER RIGHTS PLAN

In the fourth quarter of 1998, the Company's Board of Directors adopted a Shareholder Rights Plan. Under the plan, the Company granted a

dividend of one preferred share purchase right for each outstanding common share to shareholders of record at close of business on December 1, 1998. Under certain conditions, each right entitles the holder to purchase one one-hundredth of a Series A preferred share. The rights cannot be exercised or transferred separately from common shares, unless a person or group acquires 15% or more of the Company's outstanding common shares. The rights will expire on December 1, 2008, unless earlier redeemed by the Company.

42 Convergys Corp. 1998 Annual Report

PREFERRED SHARES

The Company is authorized to issue up to 5 million preferred shares, of which 4 million would have voting rights. At December 31, 1998 and 1997, there were no preferred shares outstanding.

9. STOCK-BASED COMPENSATION PLANS

During 1998 and in prior years, certain employees of the Company were granted stock options and other stock-based awards under CBI's Long-Term Incentive Plan (CBI LTIP). Effective December 31, 1998, awards outstanding under the CBI LTIP were modified to the extent that, for each CBI option or share award, the holder received, in addition, a Convergys option or share award pursuant to the Convergys Long-Term Incentive Plan (Convergys LTIP). The Convergys stock options or share awards issued to holders of CBI options or share awards on December 31, 1998, have the same vesting provisions, option periods and other terms and conditions as the original CBI options. The exercise prices of the Company and CBI stock options issued to holders of CBI options at the Distribution date were established so the options had the same ratio of exercise price per share to market value per share as the original stock option. Additionally, the Company issued Convergys stock options to certain employees under the Convergys LTIP during 1998. Under both the Convergys LTIP and the CBI LTIP, options are granted with exercise prices that are no less than market value of the stock at the grant date. Generally, stock options have a ten-year term and vesting terms of three to four years. At December 31, 1998, the Company had authorized 30 million shares of common stock for issuance under the Convergys LTIP. There were no Convergys or CBI stock appreciation rights granted or outstanding during the three-year period ended December 31, 1998.

The Company follows the disclosure-only provisions of Statement of Financial Accounting Standards (SFAS) 123, "Accounting for Stock-Based Compensation," but applies Accounting Principles Board Opinion 25 and related interpretations in accounting for its plans. If the Company had elected to recognize compensation cost for the issuance of CBI or Convergys options to Company employees based on the fair value at the grant dates for awards consistent with the method prescribed by SFAS 123, net income and earnings per share would have been impacted as follows:

	Year Ended December 31,		
	1998	1997	1996
Net income:			
As reported	\$ 81.0	\$ 86.6	\$ 78.0
Pro forma compensation expense, net of tax benefit (1.7)	(8.3)	(3.8)	
Pro forma 76.3	\$ 72.7	\$ 82.8	\$
Diluted earnings per share:			
As reported	\$.57	\$.63	\$
Pro forma	\$.51	\$.60	\$

The pro forma effect on net income for all periods shown above is not representative of the pro forma effect on net income in future years because it does not take into consideration pro forma compensation expense related to grants made prior to 1995. Additionally, the pro forma disclosure for 1998 includes incremental compensation expense based on the difference in the fair value of the replacement Company and CBI options issued at the date of the Distribution to Company employees who held CBI options.

The weighted average fair value on the date of grant for the Convergys options granted during 1998 was \$7.68. The weighted average fair values at the date of grant for the CBI options granted to Company employees during 1998, 1997 and 1996 were \$8.78, \$9.64 and \$4.60,

respectively. Such amounts were estimated using the Black-Scholes option pricing model with the following weighted average assumptions.

	Convergys		CBI	
1996	1998	1998	1997	
Expected dividend yield 3.5%	0.0%	1.4%	1.8%	
Expected volatility 29.2%	44.9%	25.0%	29.9%	
Risk free interest rate 5.5%	5.4%	5.7%	6.2%	
Expected holding period years	4 years	4 years	4 years	4

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Amounts in Millions Except Per Share Amounts)

9. STOCK-BASED COMPENSATION PLANS (CONTINUED)

Presented below is a summary of the status of the outstanding Convergys and CBI stock options issued to the Company's employees, the issuance of Convergys options to CBI option-holders at the date of Distribution, and related transactions:

Shares in thousands	Shares	Weighted Average Exercise Price
CBI options held by Company employees at January 1, 1996	2,758	\$ 9.63
Granted	1,588	\$ 20.20
Exercised	(744)	\$ 9.45
Forfeited/expired	(165)	\$ 13.76
CBI options held by Company employees at December 31, 1996	3,437	\$ 13.14
Granted	1,095	\$ 30.01
Exercised	(676)	\$ 10.08
Forfeited/expired	(119)	\$ 23.90
CBI options held by Company employees at December 31, 1997	3,737	\$ 17.16
Granted	1,322	\$ 31.25
Exercised	(335)	\$ 12.02
Forfeited/expired	(274)	\$ 28.26
CBI options held by Company employees at December 31, 1998	4,450	\$ 20.33
Total CBI options outstanding at December 31, 1998	7,284	\$ 20.33
Convergys options issued to holders of CBI options at December 31, 1998	7,284	\$ 12.26
Convergys options granted in 1998	2,004	\$ 15.01
Convergys options cancelled in 1998	(20)	\$ 15.00
Convergys options outstanding at December 31, 1998	9,268	\$ 12.30
Convergys options exercisable at December 31, 1998	4,037	\$ 7.90

The following table summarizes the status of the Company stock options outstanding and exercisable at December 31, 1998:

Shares in thousands		Options Outstanding		Options Exercisable
Weighted Average Range of Exercise Exercise prices Price	Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Shares
\$4.45 to \$5.42	2,225	4.73	5.08	2,225
5.08 \$5.63 to \$9.64	1,663	5.63	8.61	1,091
8.08 \$13.72 to \$21.38	5,380	8.90	16.43	721
16.35				
Total	9,268	7.32	12.30	4,037
7.90				

10. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

The Company leases certain facilities and equipment used in its operations under operating leases. Total rent expense was approximately \$120.9, \$94.8 and \$76.6 in 1998, 1997 and 1996, respectively.

At December 31, 1998, the total minimum rental commitments under noncancelable leases are as follows:

1999	\$
75.0	
2000	
50.4	
2001	
35.2	
2002	
26.3	
2003	
22.5	
Thereafter	
111.3	

Total	
\$320.7	

CONTINGENCIES

The Company is from time to time subject to routine complaints incidental to the business. The Company believes that the results of any complaints and proceedings will not have a materially adverse effect on the Company's financial condition or results of operations.

BALANCE SHEET

	at December 31,	
	1998	1997

RECEIVABLES:		
Billed	\$ 177.4	\$ 130.4
Unbilled	141.5	93.6
Other	5.2	5.3

Total	324.1	229.3
Less: Allowances	(9.8)	
(6.4)		

	\$ 314.3	\$ 222.9

PROPERTY AND EQUIPMENT, NET:		
Land	\$ 6.2	--
Buildings	47.8	\$ 7.0
Leasehold improvements	54.3	38.5
Equipment	226.2	175.3
Software	136.2	108.7
Construction in progress and other	27.9	11.5

Total	498.6	341.0
Less: Accumulated depreciation	(248.8)	
(211.0)		

	\$ 249.8	\$ 130.0

GOODWILL AND INTANGIBLES, NET:		
Goodwill	\$ 744.5	\$ 278.6
Other intangible assets	79.6	--

Total	824.1	278.6
Less: Accumulated amortization	(136.7)	
(101.0)		

	\$ 687.4	\$ 177.6

PAYABLES AND OTHER CURRENT LIABILITIES:		
Accounts payable	\$ 81.1	\$ 41.2
Accrued expenses	86.7	63.8
Accrued taxes	23.1	16.3
Restructuring and exit costs	21.3	27.0
Advance billing and customer deposits	18.9	9.2

	\$ 231.1	\$ 157.5

ACCUMULATED OTHER COMPREHENSIVE INCOME:		
Currency translation adjustments	\$ (0.6)	\$ 2.4
Unrealized loss on investment	(2.0)	--

	\$ (2.6)	\$ 2.4

INCOME STATEMENT

	Year Ended December 31,		
	1998	1997	1996

Depreciation and amortization:			
Depreciation	\$ 68.1	\$ 37.9	\$
29.6			
Amortization	33.2	23.1	
22.2			

	\$ 101.3	\$ 61.0	\$
51.8			

CELLULAR PARTNERSHIP

Summarized financial information for the Cellular Partnership in which the Company has a 45% interest is as follows:

at December 31,

	1998	1997	1996

Current assets	\$ 63.0	\$ 42.6	\$ 35.7
Non-current assets	139.6	107.9	103.1
Current liabilities	18.0	24.3	17.7
Non-current liabilities	2.0	2.0	2.1

Year Ended December 31,

	1998	1997	1996

Revenues	\$203.9	\$189.7	
\$165.9			
Operating income	60.6	37.8	
23.8			
Net income	58.4	33.2	
23.9			

12. TRANSACTIONS AND AGREEMENTS WITH CBI

In 1998, 1997 and 1996, the Company had \$49.8, \$49.6 and \$45.0, respectively, in revenues resulting from information systems and billing services and customer management services provided to CBI and its subsidiaries.

CBI allocated general corporate overhead expenses to the Company amounting to \$10.6, \$7.7 and \$6.7 in 1998, 1997 and 1996, respectively. The allocation of general corporate overhead expenses was based on the ratio of the Company's revenues, assets and payroll to CBI's revenue, assets and payroll. Additionally, the Company incurred expenses for communications and other services provided by CBI and its subsidiaries of \$10.1, \$18.6 and \$6.2 in 1998, 1997 and 1996, respectively.

45 Convergys Corp. 1998 Annual Report

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Amounts in Millions Except Per Share Amounts)

12. TRANSACTIONS AND AGREEMENTS WITH CBI (CONTINUED)

At the Distribution, certain CBI assets and liabilities were transferred to or assumed by the Company. The net amount of these non-cash transfers, which consisted primarily of the Company's share of CBI pension and postretirement benefit assets and liabilities, corporate office assets, and related deferred tax amounts, was \$18.0. This amount has been reflected as an increase to additional paid-in capital.

The Company and CBI entered into the Plan of Reorganization and Distribution Agreement dated July 20, 1998 (the Agreement). The Agreement provides that, among other things, the Company will indemnify CBI for all liabilities arising from the Company's business and operations and for all contingent liabilities relating to the Company's business and operations or otherwise assigned to the Company. The Agreement provides for the equal sharing of contingent liabilities not allocated to one of the two companies. In addition, the Company has a number of other agreements with CBI regarding federal, state and local tax allocation and sharing, employee benefits, general services, telecommunications support services provided to the Company by CBI and billing and information processing and customer management services provided by the Company to CBI.

13. INDUSTRY SEGMENT AND GEOGRAPHIC OPERATIONS

INDUSTRY SEGMENT INFORMATION

The Company operates in two industry segments, which are identified by service offerings. IMG is principally engaged in providing information systems and billing services to the communications, cable and broadband services industries. CMG provides a full range of outsourced marketing and customer service solutions to large companies.

The Company does not allocate activities below the operating income level to its reported segments. The Company's business segment information is as follows:

	Year Ended December 31,		
	1998	1997	1996
REVENUES			
IMG	\$ 602.0	\$ 548.0	\$ 479.8
Less intersegment	(24.6)	(7.9)	
(4.4)			
CMG	869.9	447.6	367.1
Less intersegment	(0.1)	(0.2)	
(0.1)			
Total	\$ 1,447.2	\$ 987.5	\$ 842.4
DEPRECIATION AND AMORTIZATION			
IMG	\$ 29.9	\$ 34.5	\$ 32.2
CMG	71.4	26.5	19.6
Total	\$ 101.3	\$ 61.0	\$ 51.8
SPECIAL ITEMS			
IMG	--	--	\$ 3.0
CMG	\$ 42.6	\$ 35.0	2.0
Total	\$ 42.6	\$ 35.0	\$ 5.0
OPERATING INCOME			
IMG	\$ 116.5	\$ 104.7	\$ 75.5
CMG	25.6	9.4	43.7
Corporate and other	(2.2)	--	--
Total	\$ 139.9	\$ 114.1	\$ 119.2
CAPITAL EXPENDITURES (EXCLUDING ACQUISITIONS)			
IMG	\$ 39.3	\$ 24.5	\$ 24.0
CMG	53.9	36.4	32.2
Corporate and other	0.3	--	--
Total	\$ 93.5	\$ 60.9	\$ 56.2

	at December 31,	
	1998	1997

Total Assets		
IMG	\$ 384.0	\$ 283.6
CMG	981.2	283.4
Corporate and other	85.7	87.4

Total	\$ 1,450.9	\$ 654.4

GEOGRAPHIC OPERATIONS

The following table presents certain information regarding the Company's domestic and international operations:

	Year Ended December 31,		
	1998	1997	1996
Revenues			
North America	\$ 1,367.7	\$ 905.8	\$ 745.6
International	79.5	81.7	96.8
Total	\$ 1,447.2	\$ 987.5	\$ 842.4

at December 31,

	1998	1997
Long-lived assets		
North America	\$ 1,038.7	\$ 342.3
International	34.1	41.3
Total	\$ 1,072.8	\$ 383.6

CONCENTRATIONS

Both of the Company's segments derive significant revenues from AT&T by providing information systems and billing services and customer management solutions. Revenues from AT&T were 35.4%, 30.1% and 34.7% of the Company's consolidated revenues for 1998, 1997 and 1996, respectively. Related amounts receivable from AT&T totaled \$99.6 and \$54.1 at December 31, 1998 and 1997, respectively. The Company's relationship with AT&T includes its use of AT&T communication services, which is particularly significant to the CMG segment. The Company's spending for these services with AT&T was \$83.7, \$39.2 and \$30.8 in 1998, 1997 and 1996, respectively.

14. EARNINGS PER SHARE

The following is a reconciliation of the numerator and denominator of the basic and diluted earnings per share (EPS) computations for the year ended December 31, 1998:

Share			Per
Amount	Income	Shares	

Basic EPS	\$ 81.0	142.7	\$.57
Effect of dilutive securities:			
Stock-based compensation arrangements	--	0.2	--

Diluted EPS	\$ 81.0	142.9	\$.57

There were no dilutive securities outstanding during 1997 or 1996. Accordingly, for those periods basic EPS and dilutive EPS were equal.

The EPS information for all periods has been calculated giving retroactive recognition of the share split, effective August 4, 1998, which increased the number of then outstanding common shares to 137.0 million.

47 Convergys Corp. 1998 Annual Report

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Amounts in Millions Except Per Share Amounts)

15. RECENTLY ISSUED ACCOUNTING STANDARDS

In March 1998, Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Development or Obtained for Internal Use," was issued. SOP 98-1 is effective for fiscal years beginning after December 15, 1998 and requires the capitalization of certain expenditures for software that is purchased or internally developed for use in the business. Management believes that the prospective implementation of SOP 98-1 in 1999 is likely to result in some additional capitalization of software expenditures in the future. This amount cannot be determined at this time.

In April 1998, SOP 98-5, "Reporting on the Costs of Start-up Activities," was issued. The SOP provides guidance on financial reporting of costs of start-up activities. SOP 98-5 requires such costs to be expensed instead of being capitalized and amortized. SOP 98-5 is effective for fiscal years beginning after December 15, 1998. The Company believes the implementation of SOP 98-5 will not have a material impact on its financial reporting.

In June 1998, SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," was issued. SFAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Company occasionally employs a small number of financial instruments to manage its exposure to fluctuations in interest rates and foreign currency exchange rates. The Company does not hold or issue such financial instruments for trading purposes. The Company will adopt SFAS 133, as required in the year 2000, and does not expect the impact of adoption to be material.

16. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

All adjustments necessary for a fair statement of income for each period have been included.

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
1998					
Revenues	\$ 308.6	\$ 363.6	\$ 370.3	\$ 404.7	\$ 1,447.2
Operating income (loss)	\$ (1.3)	\$ 41.6	\$ 45.8	\$ 53.8	\$ 139.9
Net income (loss)	\$ (2.3)	\$ 23.6	\$ 25.6	\$ 34.1	\$ 81.0
Earnings (loss) per share:					
Basic	(.02)	.17	.18	.22	.57
Diluted	(.02)	.17	.18	.22	.57
1997					
Revenues	\$ 243.4	\$ 243.2	\$ 238.5	\$ 262.4	\$ 987.5
Operating income	\$ 37.2	\$ 38.1	\$ 34.5	\$ 4.3	\$ 114.1
Net income	\$ 26.8	\$ 28.2	\$ 26.3	\$ 5.3	\$ 86.6
Earnings per share:					
Basic20	.21	.19	.04	.63
Diluted20	.21	.19	.04	.63

See Notes 3 and 4 for a discussion of special items which were recorded by the Company in the first quarter of 1998 and the fourth quarter of 1997.

17. SUBSEQUENT EVENT

On February 17, 1999, the Company announced an agreement to increase its ownership in Wiztec Solutions Ltd. (Wiztec) from nearly 20% to approximately 70%. Wiztec, based in Herzlia, Israel, is a provider of subscriber management systems for multi-channel subscription television operators. The additional investment of approximately \$53 will be financed using its revolving credit facility. The investment will be accounted for under the purchase method of accounting.

**EXHIBIT 23
TO
FORM 10-K FOR 1998**

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statement of Convergys Corporation on Form S-8 (File No. 333-69633) of our report dated February 18, 1999 on our audits of the consolidated financial statements and financial statement schedules of Convergys Corporation as of December 31, 1998 and 1997, and for each of the three years in the period ended December 31, 1998, which report is incorporated by reference in this Annual Report on Form 10-K.

*/s/ PricewaterhouseCoopers
LLP*

*PricewaterhouseCoopers LLP
Cincinnati, Ohio
March 26, 1999*

**EXHIBIT 24
TO
FORM 10-K FOR 1998**

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, CONVERGYS CORPORATION, an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the Rules and Regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1998; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints James F. Orr, Steven G. Rolls and William D. Baskett III, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 22nd day of March, 1999.

/s/ John F. Barrett

John F. Barrett
Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, CONVERGYS CORPORATION, an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the Rules and Regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1998; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints James F. Orr, Steven G. Rolls and William D. Baskett III, and each of them singly, her attorneys for her and in her name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set her hand this 22nd day of March, 1999.

/s/ Judith G. Boynton

Judith G. Boynton
Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, CONVERGYS CORPORATION, an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the Rules and Regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1998; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints James F. Orr, Steven G. Rolls and William D. Baskett III, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 22nd day of March, 1999.

/s/ Gary C. Butler

Gary C. Butler
Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, CONVERGYS CORPORATION, an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the Rules and Regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1998; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints James F. Orr, Steven G. Rolls and William D. Baskett III, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 22nd day of March, 1999.

/s/ Roger L. Howe

Roger L. Howe
Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, CONVERGYS CORPORATION, an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the Rules and Regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1998; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints James F. Orr, Steven G. Rolls and William D. Baskett III, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 22nd day of March, 1999.

/s/ Steven C. Mason

Steven C. Mason
Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, CONVERGYS CORPORATION, an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the Rules and Regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1998; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints James F. Orr, Steven G. Rolls and William D. Baskett III, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 22nd day of March, 1999.

/s/ Charles S. Mechem, Jr.

Charles S. Mechem, Jr.
Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, CONVERGYS CORPORATION, an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the Rules and Regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1998; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints James F. Orr, Steven G. Rolls and William D. Baskett III, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 22nd day of March, 1999.

/s/ Steven G. Rolls

*Steven G. Rolls
Chief Financial Officer*

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, CONVERGYS CORPORATION, an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the Rules and Regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1998; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints James F. Orr, Steven G. Rolls and William D. Baskett III, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 22nd day of March, 1999.

/s/ James F. Orr

James F. Orr
Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, CONVERGYS CORPORATION, an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the Rules and Regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1998; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints James F. Orr, Steven G. Rolls and William D. Baskett III, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 22nd day of March, 1999.

/s/ Brian H. Rowe

Brian H. Rowe
Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, CONVERGYS CORPORATION, an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the Rules and Regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1998; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints James F. Orr, Steven G. Rolls and William D. Baskett III, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 22nd day of March, 1999.

/s/ William D. Baskett III

*William D. Baskett III
General Counsel and Secretary*

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, CONVERGYS CORPORATION, an Ohio corporation (hereinafter referred to as the "Company"), proposes shortly to file with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, and the Rules and Regulations thereunder, an annual report on Form 10-K for the year ended December 31, 1998; and

WHEREAS, the undersigned is a director of the Company;

NOW, THEREFORE, the undersigned hereby constitutes and appoints James F. Orr, Steven G. Rolls and William D. Baskett III, and each of them singly, his attorneys for him and in his name, place and stead, and in his office and capacity in the Company, to execute and file such annual report on Form 10-K, and thereafter to execute and file any amendments or supplements thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 22nd day of March, 1999.

/s/ Andre S. Valentine

*Andre S. Valentine
Vice President and Controller*

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	DEC 31 1998
CASH	3,800
SECURITIES	0
RECEIVABLES	324,100
ALLOWANCES	9,800
INVENTORY	0
CURRENT ASSETS	360,500
PP&E	498,600
DEPRECIATION	248,800
TOTAL ASSETS	1,450,900
CURRENT LIABILITIES	697,900
BONDS	21,500
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	206,000
OTHER SE	525,500
TOTAL LIABILITY ANDEQUITY	1,450,900
SALES	0
TOTAL REVENUES	1,447,200
CGS	0
TOTAL COSTS	1,307,300
OTHER EXPENSES	0
LOSS PROVISION	4,200
INTEREST EXPENSE	33,900
INCOME PRETAX	130,600
INCOME TAX	49,600
INCOME CONTINUING	81,000
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	81,000
EPS PRIMARY	0.57
EPS DILUTED	0.57

End of Filing