



WILLIAMS MULLEN

November 13, 2006

VIA COURIER

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
c/o Natek, Inc.
236 Massachusetts Avenue, NE
Suite 110
Washington, DC 20002

RE: Application of Citizens Communications Company and Commonwealth Telephone Enterprises, Inc., For Section 214 Authority to Transfer Control of Domestic and International Authorization, File No. ITC-T/C-20060929-00450, WC Dkt. No. 06-184

Dear Ms. Dortch:

Attached for filing on behalf of RCN Corporation and RCN Telecom Services, Inc. ("RCN") is a Petition to Deny.

An original and nine (9) copies of this letter are enclosed. Please date-stamp and return the enclosed extra copy of the filing in the attached envelope. Questions regarding this filing may be addressed to the undersigned.

Respectfully submitted,

Michael W. Fleming
Brian McDermott

Counsel for RCN Corporation

A Professional Corporation

VIRGINIA • WASHINGTON, D.C. • LONDON

8270 Greensboro Drive, Suite 700 McLean, VA 22102 Tel: 703.760.5200 Fax: 804.783.6507 or 703.748.0244
www.williamsmullen.com

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In re: Application of)
Citizens Communications Company)
and)
Commonwealth Telephone Enterprises, Inc.)
For Section 214 Authority to Transfer)
Control of Domestic and International)
Authorization)

File No. ITC-T/C-20060929-00450
WC Dkt. No. 06-184

**PETITION TO DENY
OF
RCN CORPORATION AND RCN TELECOM SERVICES, INC.**

Richard Ramlall
Senior Vice President
Strategic and External Affairs
RCN CORPORATION
196 Van Buren St., Suite 300
Herndon, VA 20170
(703) 434-8408 (tel)

Michael W. Fleming
Brian McDermott
WILLIAMS MULLEN
8270 Greensboro Drive
McLean, VA 22102
(703) 760-5200 (tel)
(703) 748-0244 (fax)

Dated: November 13, 2006

Counsel for RCN Corporation
and RCN Telecom Services, Inc.

SUMMARY

RCN Corporation and RCN Telecom Services, Inc. assert that the Application should be denied because the Applicants have failed to demonstrate that the merger is in the public interest. Instead, the merger would harm the public interest because it will give Commonwealth, which already has and exercises significant market power, greater resources and greater incentive to continue to engage in anticompetitive and discriminatory behavior, which prevents otherwise qualified carriers like RCN from providing competitive, facilities-based alternatives to customers in the Commonwealth service territory. In the alternative, if the Commission allows the proposed transaction to proceed, it should impose conditions on the Applicants to offset the harms to the public interest caused by the merger.

Citizens has indicated that the merger is driven in large part because there is no competition in Commonwealth's territory. Citizens has stated that it will take actions that will prevent successful competitive entry in the future. The merger will only enhance the ability of Applicants to inhibit competition. Thus, because the adverse effects of the merger on competition outweigh any benefits identified by Applicants, Applicants have not demonstrated that the merger is in the public interest.

The Applicants also fail to show that the transfer will result in merger-specific benefits. Applicants offer broad conclusory statements without a scintilla of supporting evidence or any specific or enforceable commitments to back up their lofty assertions. Applicants claims that adding the backing of a company with Citizens' financial strength will enhance the abilities of the company to provide innovative and value added services in additional areas is illusory because Commonwealth has already committed to complete broadband availability throughout the Commonwealth service territory by the end of 2008.

The Commission should also investigate whether the merger will make competitive entry to Commonwealth territory more likely than not. In connection with this investigation, the Commission should review the arrangements Commonwealth has entered into that either limit the geographic scope of competitive entry, or limit the technology or types of services that competitive providers are allowed to provide in exchange for timely market entry. While RCN believes that it and similarly situated carriers are harmed by Commonwealth's conduct, the ultimate harm is done to those consumers that are denied competitive choices.

TABLE OF CONTENTS

I.	INTRODUCTION	2
II.	STANDARD OF REVIEW	4
III.	ARGUMENT	7
	A. Commonwealth is currently either blocking or limiting the scope of competition in its markets	7
	B. The acquisition of Commonwealth by Citizens will harm the public Interest because it will give Commonwealth greater resources and Greater incentive to continue to engage in anticompetitive behavior.....	11
	C. The Applicants fail to satisfy the public interest standard for Transfer of Control applications.....	16
IV.	THE COMMISSION SHOULD ORDER CONDITIONS TO OFFSET THE COMPETITIVE HARMS.....	20
V.	REQUEST FOR RELIEF	24

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

_____)
In re: Application of)

Citizens Communications Company)

and)

Commonwealth Telephone Enterprises, Inc.)

For Section 214 Authority to Transfer)
Control of Domestic and International)
Authorization)
_____)

File No. ITC-T/C-20060929-00450
WC Dkt. No. 06-184

**PETITION TO DENY
OF
RCN CORPORATION AND RCN TELECOM SERVICES, INC.**

RCN Corporation and RCN Telecom Services, Inc. (together "RCN"), pursuant to the Commission's Public Notices of October 27, 2006, and 47 C.F.R. § 1.939, hereby petition the Commission to deny the above-captioned Application ("Application") requesting approval for the transfer of control of domestic and international licenses from Commonwealth Telephone Enterprises, Inc., and its subsidiaries including Commonwealth Telephone Company ("Commonwealth"), to Citizens Communications Company ("Citizens").¹ RCN Corporation is

¹ *Domestic Section 214 Application Filed For the Transfer of Control of Commonwealth Telephone Enterprises, Inc. to Citizens Communications Company*, WC Docket No. 06-184, DA 06-2231 (Oct. 27, 2006); *Streamlined International Applications Accepted for Filing*, Report No. TEL-01082S (Oct. 27, 2006). The International Bureau found the Application to be subject to the streamlined processing procedures set forth in Section 63.12 of the Commission's rules, 47 CFR § 63.12. On November 1, 2006, RCN filed its Request to Remove Application from Streamlined Processing, asking the International Bureau to remove the Application from streamlined processing to allow the International Bureau processing timeframe to comport with the ongoing Wireline Competition Bureau ("WCB") review.

the parent of RCN Telecom Services, Inc., a telecommunications carrier providing competitive local exchange services in several states, including Pennsylvania where Commonwealth operates. The Application should be denied because the Applicants have failed to demonstrate that the merger is in the public interest. Instead, the merger would harm the public interest because it will give Commonwealth, which already has and exercises significant market power, greater resources and greater incentive to continue to engage in anticompetitive and discriminatory behavior, which prevents otherwise qualified carriers like RCN from providing competitive, facilities-based alternatives to customers in the Commonwealth service territory. In the alternative, if the Commission allows the proposed transaction to proceed, it should impose conditions on the Applicants to offset the harms to the public interest caused by the merger.

I. INTRODUCTION.

RCN is one of the largest facilities-based competitive providers of bundled phone, cable and high speed Internet services delivered over its own fiber-optic local network to consumers in major markets in the U.S. RCN has extensive operations within Pennsylvania through its operations in the Lehigh Valley and the Philadelphia area. RCN has maintained cable network

On November 7, 2006, Citizens and Commonwealth filed a Response to Request to Remove Application from Streamlined Processing ("Citizens/Commonwealth Response to RCN"). On November 9, 2006, RCN filed its Reply to Response to Request to Remove Application from Streamlined Processing. On November 13, 2006, the International Bureau removed the Application from streamlined processing. *Streamlined International Applications Accepted for Filing*, Report No. TEL-01086S (Nov. 13, 2006). RCN incorporates its pleadings by reference.

The WCB Public Notice specified November 10, 2006 as the deadline for comments in the proceeding. November 10, 2006, however, is a federal holiday; therefore, per Rule 1.4(j), 47 C.F.R. § 1.4(j), this Petition to Deny is timely filed. On November 10, 2006, Counsel for RCN left a voicemail message with William Dever of the WCB to provide the WCB with notice that RCN would be filing its Petition to Deny on Monday, November 13, 2006.

facilities in Pennsylvania for 20 years. Outside Pennsylvania, RCN provides services in the Boston, New York, Washington, D.C., Chicago, San Francisco, and Los Angeles metropolitan markets. What distinguishes RCN from most other competitive local exchange carriers (“CLECs”) is its focus on serving the residential market.

What also distinguishes RCN from most other CLECs is its eagerness to build facilities and provide telephone service to suburban markets in competition with rural telephone companies like Commonwealth, whose customers have never experienced the benefits of true competition. RCN is prepared to expand into Commonwealth’s market in order to add circuit-switched telephone service to the existing package of cable television services and high-speed Internet access offered throughout its footprint in Commonwealth’s service territory.² Commonwealth, however, is opposed to the competitive presence of RCN and other competitive carriers and has fought to prevent entry into its lucrative and subsidized telephone market.³

² By way of example, Commonwealth has opposed even modest entry by RCN into its service territory. The attached map illustrates RCN’s footprint and the tiny overlap into Commonwealth territory that is currently the point of dispute. See Exhibit A. The larger bordered area labeled “Approximate Current System Boundary” indicates the area currently served by RCN’s cable facilities. Most of this area is served by Verizon as the incumbent LEC, and in Verizon territory RCN is able to offer a combined package of video, broadband, and traditional telephone service. The area in the upper right corner with a dark border and labeled “Approximate CTCo Boundary” is the main portion of Commonwealth’s (CTCo’s) footprint in the Lehigh Valley. The overlap of the two areas—RCN’s and Commonwealth’s service territories—is the finger of territory connected to the larger footprint of RCN’s territory. In this small area, RCN provides cable television and broadband, but is currently prohibited from providing local exchange telephone service. RCN has sought authority to provide service in Commonwealth Territory, which Commonwealth has opposed. *Application of RCN Telecom Services, Inc. for approval to Amend its Certificate of Public Convenience to offer, render, furnish, or supply telecommunications services to the public as a Competitive Local Exchange Carrier in the service territory of Commonwealth Telephone Company*, Pennsylvania PUC Dkt No. A-310554F0002 (filed May 1, 2006) (“Expansion Application”).

³ Commonwealth receives \$20 million annually in federal universal service support. Annual Report of Commonwealth Telephone Enterprises, Inc., March 13, 2006, at F-18. It paid more than \$294 million in dividends in 2005. *Id.* at F-13.

Citizens has indicated that the merger is driven in large part because there is no competition in Commonwealth's territory. Citizens has stated that it will take actions that will prevent successful competitive entry in the future. The merger will only enhance the ability of Applicants to inhibit competition. Thus, because the adverse effects of the merger on competition outweigh any benefits identified by Applicants, Applicants have not demonstrated that the merger is in the public interest.

RCN will be directly harmed by the merger and is thereby a party in interest to this proceeding. The acquisition of Commonwealth by Citizens will only exacerbate the anticompetitive conduct of Commonwealth by giving Commonwealth greater resources and greater incentive to keep all competitive carriers, including residential-service focused entrants such as RCN, out of its market indefinitely. Accordingly, for reasons set forth herein, the Commission must deny the Application or, in the alternative, condition the merger with sufficient safeguards to offset the public interest harms inherent in the proposed transaction.

II. STANDARD OF REVIEW.

In considering applications for the transfer of control of Commission licenses, the Commission must determine whether the proposed transfer of control will serve the public interest, convenience and necessity.⁴ The Commission must also consider whether the transfer of control could result in public interest harms by substantially frustrating or impairing the

⁴ *SBC Communications, Inc. and AT&T Corp. Applications for Approval of Transfer of Control*, Memorandum Opinion and Order, WC Docket No. 05-65, (rel. Nov. 17, 2005) ("*SBC/AT&T Merger Order*") ¶ 16.

objectives or implementation of the Communications Act or related statutes.⁵ The Applicants bear the burden of proving, by a preponderance of the evidence, that the proposed transaction, on balance, serves the public interest.⁶ The Commission's public interest evaluation includes, among other things, "a deeply rooted preference for preserving and enhancing competition in relevant markets."⁷ Robust competition is clearly in the public interest because it lowers rates for consumers, increases efficiency, and introduces new services and features.

In determining the competitive effects of the proposed merger, the Commission is informed by, but not limited to, traditional antitrust principles.⁸ Among the issues to be considered is "whether the merger will accelerate the decline of market power by dominant firms in the relevant communications markets and the merger's effect on future competition."⁹ Further,

We also recognize that the same consequences of a proposed merger that are beneficial in one sense may be harmful in another. For instance, combining assets may allow the merged entity to reduce transaction costs and offer new products, but it may also create market power, create or enhance barriers to entry by potential competitors, and create opportunities to disadvantage rivals in anticompetitive ways.¹⁰

⁵ *Id.*

⁶ *Id.*

⁷ *Id.* ¶ 17.

⁸ *Id.* ¶ 18.

⁹ *Id.*

¹⁰ *Id.*

In reviewing mergers of large ILECs, the Commission routinely considers the impact on competition and competitive carriers.¹¹ Safeguarding competition is one of the Commission's main functions, and as a result, Applicants bear a high burden of showing that the benefits alleged by the merger will outweigh the potential for reduced or impaired competition. Accordingly, the Commission also has the authority to impose and enforce conditions that ensure the public interest is served by the transaction, including conditions based upon the Commission's extensive regulatory and enforcement experience to ensure that the merger will, overall, service the public interest.¹²

The Commission also considers "whether the combined entity will be able, and is likely, to pursue business strategies resulting in demonstrable and verifiable benefits that could not be pursued but for the combination."¹³ The claimed benefits must be transaction-specific, and they must be verifiable.¹⁴ Applicants are required to provide sufficient evidence supporting each benefit claim for the Commission to verify.¹⁵

¹¹ See *Application of GTE Corporation, Transferor, and Bell Atlantic Corporation, Transferee*, 15 FCC Rcd 14032 (2002) at ¶¶ 173-208; *Applications of Ameritech Corp., Transferor, and SBC Communications, Inc., Transferee, For Consent to Transfer of Control*, 14 FCC Rcd 14712 (1999) at ¶¶ 186-254; *Applications of NYNEX Corp, Transferor, and Bell Atlantic Corp., Transferee, For Consent to Transfer Control of NYNEX Corp. and Its Subsidiaries*, 12 FCC Rcd 19985 (1997) at ¶¶ 3-16; *Applications of Pacific Telesis Group, Transferor, and SBC Communications, Inc., Transferee, For Consent to Transfer Control of Pacific Telesis Group and Its Subsidiaries*, 12 FCC Rcd 2624 (1997) at ¶¶ 15-33.

¹² *Id.* ¶ 19.

¹³ *Id.* ¶ 182.

¹⁴ *Id.* ¶ 184.

¹⁵ *Id.*

III. ARGUMENT.

A. Commonwealth is currently either blocking or limiting the scope of competition in its markets.

RCN and other carriers have attempted to bring competitive telephone choices to customers within the Commonwealth territory and Commonwealth has responded by impeding competitive entry by carriers such as RCN.¹⁶ In doing so, Commonwealth has asserted arguments to block competitive entry that are contradicted by applicable law.¹⁷ The most glaring example of Commonwealth's anticompetitive position is that the Pennsylvania PUC has ruled that a carrier that is already certificated as a CLEC enjoys a rebuttable presumption of continuing

¹⁶ RCN's dispute with Commonwealth is not "an unadjudicated claim in a pending Commission complaint proceeding." Citizens/Commonwealth Response to RCN at 4. The dispute is over a simple application to obtain additional authority to provide CLEC service in a new geographic area. RCN is simply seeking authority that is granted routinely upon a demonstration of fitness. RCN has made no "claim" against Commonwealth, other than its assertion that it has the right to provide CLEC service to Commonwealth's otherwise captive customer base under state and federal law.

RCN has been in settlement discussions with Commonwealth (and two other Pennsylvania RLECs opposing RCN CLEC applications) since the August 3, 2006 Prehearing Conference on their Application for authority to provide CLEC service in Commonwealth's territory. Discussions are continuing but to date a settlement agreement has not been reached.

¹⁷ Commonwealth alleges, without basis or merit, that RCN lacks the financial, technical, and managerial fitness to provide service within Commonwealth's service territory. The argument is specious because RCN has already demonstrated to the Pennsylvania PUC that it satisfies the fitness criteria in the course of its earlier certification proceedings. RCN is already certificated in Pennsylvania and is currently doing business in Pennsylvania as an Interexchange Reseller (statewide authority at Docket No. A-310554), as a Competitive Access Provider (statewide authority at Docket No. A-310554F0003), and as a Competitive Local Exchange Carrier in the service territory of Verizon Pennsylvania, Inc. (Docket No. A-310555F0002). The Pennsylvania PUC has even recently had the opportunity to review RCN's fitness to provide service in the course of granting the approvals needed to complete certain transactions related to RCN's bankruptcy and restructuring. Securities certificate of RCN Telecom Services, Inc. to support, as a guarantor, the debt financing of its parent, RCN Corporation, (Docket No. S-00041022). Further, Commonwealth's management is intimately familiar with the fitness of RCN's management since Commonwealth and RCN were affiliates under common ownership by C-TEC Corp. ("C-TEC"). Several of the current executives of Commonwealth Telephone Enterprises, Inc., including the Chief Executive Officer, Michael J. Mahoney, had been senior executives at RCN. RCN's and Commonwealth's history together as affiliates may also demonstrate why Commonwealth is so strongly opposed to RCN's entry to its markets: Commonwealth has close knowledge of RCN's network and ability to provide competitive services.

fitness based on certification as a CLEC actively engaged in the provision of service in other parts of the state.¹⁸ Commonwealth has provided absolutely no evidence to rebut the presumption of RCN's fitness to provide telephone service. RCN certainly satisfies the fitness criteria and is thereby entitled to have its CLEC authority expanded to include the Commonwealth service territory.¹⁹ Clearly, Commonwealth's opposition to the RCN's application is an example of an attempt to delay, impede, and otherwise interfere with facilities-based competition from a provider that is obviously fit to provide such service.²⁰ But for

¹⁸ *Application of AT&T Communications of Pennsylvania, Inc. and TCG Pittsburgh to Amend their Certificates of Public Convenience to Begin to Offer, Render, Furnish or Supply Facilities-Based Competitive Local Exchange Telecommunications Services in the Service Territories of ALLTEL Pennsylvania, Inc., Armstrong Telephone Company-Pennsylvania, The Bentleyville Telephone Company, Citizens Telephone Company of Kecksburg, Hickory Telephone Company, Marianna and Scenery Hill Telephone Company, North Pittsburgh Telephone Company, and Yukon-Waltz Telephone Company, A-310125F0002, A-310213F0002 (Order entered April 10, 2001) at 17.* RCN obviously has the fitness to provide telephone service since it already provides cable and broadband within Commonwealth territory. RCN has provided cable service there for 20 years.

¹⁹ In addition, RCN's Expansion Application does not implicate any assertion by Commonwealth of a claimed rural carrier exemption under section 251(f)(1). RCN can provide service in competition with Commonwealth through an interconnection arrangement that does not implicate the exemption, similar to the arrangements Commonwealth has already agreed to provide to another CLEC and several CMRS providers. When RCN amended its Expansion Application at the Pennsylvania PUC, RCN made it clear that it is not seeking UNEs or resale from Commonwealth. Therefore, the rural carrier exemption should not be an issue in the consideration of RCN's Expansion Application.

²⁰ Citizens and Commonwealth have suggested that RCN's opposition to the merger in this proceeding is intended "solely for delay." Citizens/Commonwealth Response to RCN at 6. This is nonsense. On a conference call with investors on November 7, 2006 to discuss quarterly earnings, the Chief Executive Officer of Citizens Communications stated to the investment community that Citizens and Commonwealth did not expect to consummate the merger until "mid-year 2007." Final Transcript, CZN-Q3 2006 Citizens Communications Co. Earnings Conference Call, Nov. 7. 2006, at 2 ("Citizens Earnings Call") (attached as Exhibit B.) On the same day, the CEO of Commonwealth Telephone Enterprises, Inc. also said during his quarterly earnings call with investors that they expected to complete the merger in "mid 2007." Final Transcript, CTCO-Q3 2006 Commonwealth Telephone Enterprises, Inc. Earnings Conference Call, Nov. 7. 2006, at 3 ("Commonwealth Earnings Call") at 3 (attached as Exhibit C.) That target deadline gives this Commission at least eight full months to complete its review of the Application. There is no reason to think that the Commission would be unable to consider and provide a remedy to every one of RCN's objections to the transfer within the eight-month window that Citizens and Commonwealth already expect.

Commonwealth's opposition to RCN's competitive entry, RCN could have been providing telephone service within Commonwealth's territory already.²¹

Indeed, statements by Commonwealth's top executives demonstrate that delaying competitive entry and preventing competition is an important aspect of the Company's business model. On the November 7, 2006 Commonwealth Telephone Enterprises, Inc. Earnings Conference Call, the Chief Executive Officer of Commonwealth was asked by an analyst, "I'm wondering if you could give us a quick update on the competitive dynamics? How much of it is to wireless substitution versus cable competition, and what you're seeing in terms of cable competition entering the market?" The CEO of Commonwealth replied, "We have not seen any uptick in competition from the cable industry in our service territory. We continue to think that the – believe, rather, that the primary driver of our line loss is wireless, with some little of Voice Over IP in some of our markets. But, we've not seen any real change in the competitive dynamic

²¹ Applicants have suggested in their pleadings before the Commission that Commonwealth's anticompetitive actions might be protected by the Noerr-Pennington doctrine, which protects conduct permitted by the First Amendment from allegations of violations of antitrust laws. Citizens/Commonwealth Response to RCN at 6. RCN respectfully submits that Applicants' anticompetitive conduct extends beyond participation in certification proceedings. But even with respect to proceedings such as RCN's Pennsylvania certification, the Noerr-Pennington is simply not applicable because Commonwealth's conduct fits squarely within the recognized "sham" exception to the Noerr-Pennington doctrine:

The "sham" exception to Noerr encompasses situations in which persons use the governmental process—as opposed to the outcome of that process—as an anticompetitive weapon. A classic example is the filing of frivolous objections to the license application of a competitor, with no expectation of achieving denial of the license but simply in order to impose expense and delay.

City of Columbia v. Omni Outdoor Advertising, 499 U.S. 365, 111 S.Ct. 1344 (1991), citing *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 92 S.Ct. 609 (1972). This is precisely what Commonwealth has engaged in at the Pennsylvania PUC. The grounds for opposing RCN's fitness for providing service have no merit since RCN is entitled under Pennsylvania law to a rebuttable presumption of fitness and Commonwealth has offered no evidence to the contrary.

and that's why we think the [financial] results have been consistent."²² A moment later, another investment analyst asked, "How many of your access lines have cable VOIP competition today?" The CEO of Commonwealth said, "We think it's very small." Commonwealth's Executive Vice President and Chief Operating Officer added, "We have only one cable provider that offers voice services today. And they're really doing very little marketing. And it's a small part of our serving territory. None of the other cable providers currently provide a voice offering."²³ By bringing this issue up on its earnings call, Commonwealth considers the lack of competition critical for Wall Street approval.

Moreover, what competition exists in Commonwealth territory is strictly limited by agreement with Commonwealth.²⁴ As the Pennsylvania PUC noted when it granted limited service territory expansion to Service Electric, a cable telephony provider, Commonwealth and Service Electric agreed to a settlement that limited Service Electric's footprint within Commonwealth territory:

On June 7, 2006, Service Electric filed its Fourth Amendment to Application (Settlements with Commonwealth, Frontier and TDS/M&M). Pursuant to these settlements, Service Electric is amending the Application to limit geographically its request for expanded CLEC certification to those portions of the Commonwealth, Frontier and TDS/M&M service areas in which a current Service Electric cable television affiliate holds cable

²² Commonwealth Earnings Call at 6.

²³ *Id.* at 7.

²⁴ Application of Service Electric Telephone Company, LLC for expanded authority to offer, render, furnish or supply telecommunications services as a Competitive Local Exchange Carrier to the public in the Commonwealth of Pennsylvania in the service territories of Commonwealth Telephone Company et al., Docket Nos. A-310651F0002AMA et al, Order (Aug. 21, 2006).

television franchises. Commonwealth, Frontier and TDS/M&M have withdrawn their Protests. Accordingly, the entire Application is now unprotested.²⁵

Commonwealth's opposition to RCN's entry is clear proof that Commonwealth is actively preventing full competition from cable telephony carriers by limiting how and where its competitors provide service. And the lack of competition is likely to get worse following the merger because Citizens' CEO has made clear that Commonwealth's rural carrier monopoly status and "fragmented" competition from cable companies are the most important elements of the acquisition.

B. The acquisition of Commonwealth by Citizens will harm the public interest because it will give Commonwealth greater resources and greater incentive to continue to engage in anticompetitive behavior.

The acquisition of Commonwealth by Citizens will harm the public interest because it will give Commonwealth access to the enormous resources of Citizens that will be used to further stifle competition in its markets. Citizens is the seventh largest carrier in the United States, with more than 2.1 million ILEC access lines across 24 states. Citizens has more than \$2.1 billion in annual revenues, and its Frontier Communications brand is well-recognized nationwide. Putting this kind of financial and regulatory muscle behind a single-state entity like Commonwealth suddenly gives Commonwealth the clout and leverage of a national carrier.

At the same time, Commonwealth would retain the right to claim its rural carrier exemption under section 251(f)(1) of the Telecommunications Act within Commonwealth

²⁵ *Id.* at 3.

territory. Under the rural carrier exemption, Commonwealth would not be obligated to provide unbundled network elements—especially local loops to residential end users— or collocation of facilities, or make its retail offerings available for resale at the wholesale discount.²⁶ Therefore, a carrier that wanted to compete with Commonwealth to serve residential end users would be required to build facilities throughout the Commonwealth territory and could not rely on leasing or reselling components of the Commonwealth network or services without first going through the process of defeating any assertion of the rural carrier exemption. A carrier with the financial resources of Citizens, armed with a rural carrier exemption, will create significant impediments to competitive entry.

In fact, the acquisition of Commonwealth was predicated on maximizing the value of the company through continued exploitation of its monopoly status as a rural telephone company. In announcing the acquisition, the Chief Executive Officer of Citizens Communications stated that Commonwealth was an attractive target “first and foremost” because of its rural carrier profile.²⁷ One aspect that made Commonwealth so attractive was the “very fragmented cable competition” within its service territory.²⁸ Since Commonwealth provides no cable television services, the “very fragmented cable competition” could refer only to the potential competition to its monopoly revenues from cable companies such as RCN providing telephone service. The term

²⁶ Commonwealth has already executed agreements permitting direct interconnection of its network with the networks of CMRS carriers and one CLEC, Service Electric, under terms described above.

²⁷ Final Transcript, CZN-Citizens Communications Co. Merger & Acquisition Announcement, Sep. 18, 2006 (“Citizens Merger Announcement”) at 2 (attached as Exhibit D).

²⁸ *Id.*

“fragmented competition” indicates Citizens’ belief that Commonwealth faces no immediate threat to its revenue-earning potential and therefore, would be in a position to maximize profits through its monopoly status. Without Commission action in this proceeding, the lack of competition in Commonwealth’s market will extend well into the future.

It is these monopoly revenues that Citizens will have a greater incentive to protect if its acquisition of Commonwealth is approved. Citizens will pay Commonwealth shareholders more than \$1.15 billion for the company, and Citizens must return that investment to its own shareholders as soon as possible (75% of the purchase is payable in cash, and the remainder in Citizens’ stock).²⁹ One way to maximize Commonwealth’s return is to impede competitive entry wherever possible, such as by delaying and obstructing entry by companies like RCN that have already established communications networks within Commonwealth territory.³⁰

Yet, Commonwealth is not opposed to its own competitive entry into the territory of other incumbent LECs. Commonwealth also owns a CLEC—CTSI, LLC—that competes with Verizon and Embarq in Pennsylvania. Commonwealth uses CTSI as a part of its “edge-out” strategy that effectively extends its own service footprint into other LECs’ territories in order to

²⁹ Citizens has told the financial community that the acquisition will be “free cash flow accretive in first year,” meaning that Citizens expects to be able to recoup its acquisition costs almost immediately. Citizens Merger Announcement at 2. This indicates that the acquisition is low-risk to Citizens and that Commonwealth faces very little competition.

³⁰ In contrast, where Citizens faces rigorous competition from cable companies, it engages in deep price cutting to maintain market share. As John C. Hodulik, Analyst for UBS Securities LLC, reports, the Citizens’ bundle of services “hit a new low” in price, and Citizens’ competitor Time Warner would have to respond to the Citizens’ product offer. UBS Investment Research, TelMeDaily, Nov. 8, 2006 (“UBS Report”) (attached as Exhibit E.) It is possible that the price for Citizens’ triple play offering is so low that it is below cost, in which case Citizens may be using federal universal service funds to cross-subsidize its offerings for competitive services.

serve customers of Commonwealth that may need service to locations outside Commonwealth's exchanges. Citizens has stated that not only will it continue the "edge-out" CLEC strategy, but it will also merge the CLEC operations with the ILEC operations where possible in order to reduce costs.³¹ So it is clear that Citizens and Commonwealth recognize the value of the competition presented by CLECs, so long as the competition stays away from Commonwealth's own service territory.

In addition, Citizens has announced plans recently to offer a "Triple Play" package throughout its service territory,³² a product package of cable, broadband and telephone designed to compete with cable companies like RCN. While this sort of product package should be encouraged, as should all competition, Citizens' offer is unusual in that it provides new subscribers with an entire year of DISH TV for free, or a brand new Dell personal computer for free, if the customer will commit to a two-year contract for service.³³

Thus, when Citizens takes over Commonwealth, it would be able to lock up residential customers before competitive carriers would be able to compete for them, and deny them the ability to reap the benefits that competition will bring to Commonwealth's territory. Commonwealth's conduct now is tilting the playing field in Citizens' favor by denying

³¹ Citizens Merger Announcement at 4.

³² Citizens Earnings Call at 2.

³³ *Id.* At least one analyst believes that Citizens' offer will result in a price war with cable companies where Citizens faces competition. *See* note 30, *supra*. In order to protect itself against losses in those markets, Citizens is trying to limit its exposure by demanding a high contract termination fee. UBS Report at 2. A high termination fee would significantly increase the barrier to competitive entry where Citizens offers this package because customers would be severely penalized for taking service from another provider after accepting the Citizens offer.

competitors' access to the Triple Play customers that Citizens intends to lock-up in long-term contracts.

It is therefore crucial that RCN or any other qualified Applicant be permitted to enter Commonwealth's entire market before Citizens takes control of the company for the simple reason that Commonwealth has yet to introduce long-term contracts to customers. The CEO of Citizens recognized this fact as one significant difference between Citizens and Commonwealth and has said Citizens would immediately implement a strategy to provide service to customers under contracts after it has completed its acquisition of Commonwealth.³⁴ In Citizens' markets, "Citizens has over 35% of [its] customer base already on either 1 or 2-year contracts, and we are aggressively driving that number up higher."³⁵ This approach would have major implications not only for competitive carriers like RCN that target the residential market, but also for competitive carriers that cater to large businesses. The strategy of locking up the most valuable customers to long-term commitments, and thereby preventing competition for business, immediately makes competitive entry more difficult for all new entrants. As the Commission has stated, "To the extent the [ILEC] can lock in the larger business customers whose traffic would economically justify the construction of new facilities, the [ILEC] can foreclose competition[.]"³⁶ Long-term contracts with customers before competition has been established will constitute a significant barrier to entry.

³⁴ Citizens Merger Announcement at 3.

³⁵ Citizens Merger Announcement at 3.

³⁶ *Access Charge Reform*, 14 FCC Rcd 14221 (1999) at ¶ 79.

These are examples of what CLECs can expect from Commonwealth telephone after it is acquired by Citizens, and they demonstrate how crucial it is to enter the market before the acquisition is completed and Citizens is able to implement its changes. Immediate competitive entry would provide competitive choices to residential consumers in Commonwealth's service territory and begin to level the playing field for Citizens' expected triple-play offerings.

C. The Applicants fail to satisfy the public interest standard for Transfer of Control applications.

The Applicants make passing reference to the public interest standard that they must satisfy in order for the Commission to approve the proposed transfer of control of both their domestic and international licenses, but they fail to show that the transfer will result in merger-specific benefits.³⁷ Applicants fail to identify a single positive benefit that will come from the merger. Instead, Applicants tout the "access to each other's network capabilities, technical and financial strengths and complementary services."³⁸ What exactly do the Applicants mean by this statement? Applicants offer broad conclusory statements without a scintilla of supporting evidence or any specific or enforceable commitments to back up their lofty assertions.

While that kind of demonstration may suffice for competitive carriers that are subject to constant competitive pressure and constrained by the forces of the marketplace, it is clearly not sufficient to meet the demonstration required to justify the further expansion of one of the largest ILECs in the country. Incumbent LECs are a completely different class of carrier,

³⁷ Application at 7-9. See *SBC/AT&T Merger Order* ¶ 182-184.

particularly ones that are not subject to the pressures of competition. The Commission has a heightened obligation to review the purported public interest benefits made by incumbent LECs for whom their captive ratepayers have few competitive alternatives due to their monopoly status.

The Applicants do claim that the merged entity will be able “to compete more effectively” with cable telephony carriers like RCN because it will be much larger and have greater depth of expertise.³⁹ As explained above, however, Commonwealth does not compete with cable telephony carriers now to any appreciable degree. In the words of Commonwealth’s Executive Vice President and Chief Operating Officer, “We have only one cable provider that offers voice services today. And they’re really doing very little marketing. And it’s a small part of our serving territory. None of the other cable providers currently provide a voice offering.”⁴⁰ The Commission should recognize monopoly power for what it is—the increased size and resources and “depth of expertise” will likely lead to more limitations on competitive entry and less competition.

The Applicants also claim that adding the backing of a company with Citizens’ financial strength will enhance the abilities of the company to provide “innovative and value added services” “in additional areas.”⁴¹ The Applicants do not specify what kinds of innovative and

³⁸ *Id.* at 7.

³⁹ Application at 8.

⁴⁰ Commonwealth Earnings Call at 7. Compare Service Electric, who does “very little marketing,” with RCN who markets aggressively. RCN’s customer growth has exceeded expectations for two consecutive quarters.

⁴¹ Application at 7.

value-added services they will be more able to provide, or which additional areas will receive them. The Commission should inquire further into this statement because Commonwealth has already committed to complete broadband availability throughout the Commonwealth service territory by the end of 2008 as a part of its Chapter 30 Network Modernization Plan.⁴² To the extent that “innovative and value added services” means broadband, this implied commitment is not merely speculative, it is illusory. If it means something else, the Applicants should clarify what they intend to provide, how the merger makes it more likely that such services will be provided, precisely what specific and enforceable commitments Applicants are making to ensure the delivery of such services, and the method and metrics Applicants will use to demonstrate that Applicants are meeting its commitments.

Applicants identify “growing their customer base through new business opportunities” as a purported benefit of the merger.⁴³ Yet Commonwealth’s views on “growing their customer base through new business opportunities” as a positive public benefit are completely one-sided: growing the business is a commendable goal for Commonwealth, but allowing a competitor to grow its business should be discouraged, if Commonwealth is to be believed. Commonwealth’s efforts to intentionally stymie the efforts of competitive carriers such as RCN to grow their businesses, rather than competing with such carriers head-to-head, should indicate to the Commission how little Commonwealth truly values new services for consumers within Commonwealth’s territory. The benefit of “growing their customer base through new business

⁴² Petition for Amended Alternative Regulation and Network Modernization Plan of Commonwealth Telephone Company, Dkt. No. P-00961024F1000, Order (Mar. 3, 2005).

opportunities” inures solely to shareholders and management in Commonwealth’s world view, and not to the public.

Applicants not only have failed to satisfy their burden of demonstrating that the merger is in the public interest, but they have failed to produce any verifiable evidence that the merger will result in benefits to consumers. The Commission should request further information from the Applicants to support their claims of positive benefits to the public and then assess the validity of that information. For example, the Commission needs to test whether the acquisition of the third largest ILEC in Pennsylvania by the seventh largest ILEC in the United States will actually accelerate broadband deployment throughout Commonwealth’s rural territory any more than Commonwealth has already committed to provide.

The Commission should also investigate whether the merger will make competitive entry to Commonwealth territory more likely than not. In connection with this investigation, the Commission should review the arrangements Commonwealth has entered into that either limit the geographic scope of competitive entry, or limit the technology or types of services that competitive providers are allowed to provide in exchange for timely market entry. While RCN believes that it and similarly situated carriers are harmed by Commonwealth’s conduct, the ultimate harm is done to those consumers that are denied competitive choices. Competitive entry brings new products, better service, and lower rates, and the Commission should take steps to ensure that Commonwealth and Citizens face full competition within Commonwealth’s markets.

⁴³ Application at 8.

IV. THE COMMISSION SHOULD ORDER CONDITIONS TO OFFSET THE COMPETITIVE HARMS.

As explained above, the Commission should conclude that the ongoing competitive harms and the likelihood that the merged entity will have the means and the incentive to continue to engage in anticompetitive behavior demonstrate that the proposed transaction is not in the public interest. For this reason, the Application for the transfer of control of domestic and international licenses should be denied. In order for the transaction to proceed, the Applicants must be willing to agree to steps to be taken to offset the ongoing harms to the public interest. The Commission has the authority to impose and enforce conditions that ensure the public interest is served by the transaction, including conditions based upon the Commission's extensive regulatory and enforcement experience to ensure that the merger will, overall, service the public interest.⁴⁴

RCN proposes that the Commission consider imposing on Citizens and Commonwealth the following conditions, *inter alia*, in order for their Application to be approved:

First, Citizens and Commonwealth must cease and desist from anticompetitive and discriminatory conduct against other carriers, including agreeing not to oppose petitions from carriers previously certificated in Pennsylvania to provide competitive local exchange services to expand service into Citizens or Commonwealth service territory. Agreeing to this step will not mean that unqualified carriers will be permitted to compete with rural LECs in the future. The Pennsylvania PUC will continue to exercise its oversight authority to approve CLEC service

⁴⁴ *SBC/AT&T Merger Order* ¶ 19.

expansion petitions. The Pennsylvania PUC's standards are sufficient to ensure that only those carriers that meet the standards for technical, financial, and legal fitness are qualified to provide local exchange service in rural exchanges. In connection with this proposed condition, the Commission should order Citizens and Commonwealth to provide semi-annual reports on the state of competition within the Commonwealth territory. The reports should provide sufficient detail for the Commission to determine where Commonwealth faces competition and how many competitors are in the Commonwealth markets.

Second, the merger should be conditioned on a "fresh look" for any long-term contracts with customers that Citizens or Commonwealth may enter into before a competitive carrier is able to provide services in Commonwealth's territory. A customer that executes a long-term service commitment with Citizens—including customers that receive "free" DISH TV or a "free" Dell PC—should be permitted to terminate that agreement without penalty if it would rather take service from any competitor providing services within Commonwealth's territory.

Third, the merger should be conditioned on Citizens and Commonwealth agreeing not to assert a rural exemption under state or federal law against a competitive carrier making a bona fide request for interconnection under section 251(c) in the Commonwealth territory. The Pennsylvania PUC has already taken a number of steps to prepare rural LECs for competition, including the elimination of what was referred to as the absolute or blanket rural exemption under Section 251(f)(2).⁴⁵ Rural LECs in Pennsylvania already are required to comply with the

⁴⁵ Petition of Rural Incumbent Local Exchange Carriers for a 36-month Suspension of Interconnection Requirements Limited to Only Those Requirements Set Forth in §251(b)(1) and (c) of the Telecommunications Act of 1996, Docket No. P-00971177 (Order entered January 15, 2003).

obligations imposed on local exchange carriers by sections 251(a) and 251(b) of the Telecommunications Act. The only remaining obligations for which Citizens and Commonwealth could remain exempt would be those imposed by section 251(c) of the Act. Eliminating the threat of assertion of a rural exemption would make competitive entry far more likely because it would significantly reduce the delay and expense of obtaining interconnection rights under section 251(c).

Further, the rural carrier exemption was not intended to protect incumbent carriers like Citizens that have a presence in more than 24 states serving more than 2.1 million access lines and earning annual revenues in excess of \$2.1 billion. The purpose of the rural carrier exemption was “to provide a level playing field” for small rural phone companies from competition from “a large global or nationwide entity that has financial or technological resources that are significantly greater than the resources of the [rural telephone] company or carrier.”⁴⁶ The number of CLECs with annual revenues in excess of \$2.1 billion could hold a conference in a phone booth. A rural carrier exemption may be appropriate to protect rural LECs whose financial position is sufficiently precarious so that government protection is needed in order to ensure universal service policy objectives, but it is clearly not appropriate for a company with the financial strength and size of a company like the combined Citizens/Commonwealth entity.⁴⁷

⁴⁶ Conference Report on S.652, Report No. 104-458, Jan. 31, 1996, at 119.

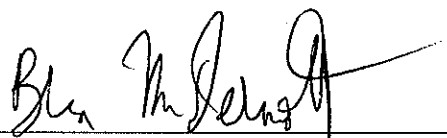
⁴⁷ Further, the consolidation of the seventh largest phone company with the eleventh largest phone company with an expected annual revenue stream of \$2.5 billion should raise concerns about entitlements to federal universal service funds. RCN does not expect the issue of USF to be resolved in this proceeding, but the Commission should consider whether a company like Citizens that paid \$338.4 million in dividends to shareholders in 2005 should receive \$160 million in state and federal universal service subsidies. Citizens Communications Amended Annual Report (March 2, 2006) at 8, 16.

RCN believes that given the opportunity, other competitive carriers would welcome the chance to compete with Citizens within Citizens' territories on the same terms that they compete with Verizon and Embarq in Pennsylvania. As long as Citizens can hide behind a rural carrier exemption, open and fully competitive local exchange markets will be delayed. The Commission should rule as a condition for approval of the proposed merger that Citizens and Commonwealth will agree not to oppose petitions filed by competitive carriers seeking interconnection rights under 251(c) by asserting the rural carrier exemption under section 251(f)(1) within Pennsylvania.

V. REQUEST FOR RELIEF.

For all the foregoing reasons, RCN respectfully requests that the Commission deny the Joint Application for the transfer of control of the domestic and international licenses of Commonwealth to Citizens. If the Commission permits the proposed transaction to proceed, it must impose conditions on its approval as recommended by RCN, as well as others that may be appropriate, in order to offset the ongoing harms to the public interest that will result from the transaction. The Commission should also grant RCN any additional relief that the Commission deems appropriate.

Respectfully submitted,



Michael W. Fleming
Brian McDermott
WILLIAMS MULLEN
8270 Greensboro Drive
McLean, VA 22102
(703) 760-5248 (tel)
(703) 748-0244 (fax)

Richard Ramlall
Senior Vice President
Strategic and External Affairs
RCN CORPORATION
196 Van Buren St., Suite 300
Herndon, VA 20170
(703) 434-8408 (tel)

Dated: November 13, 2006

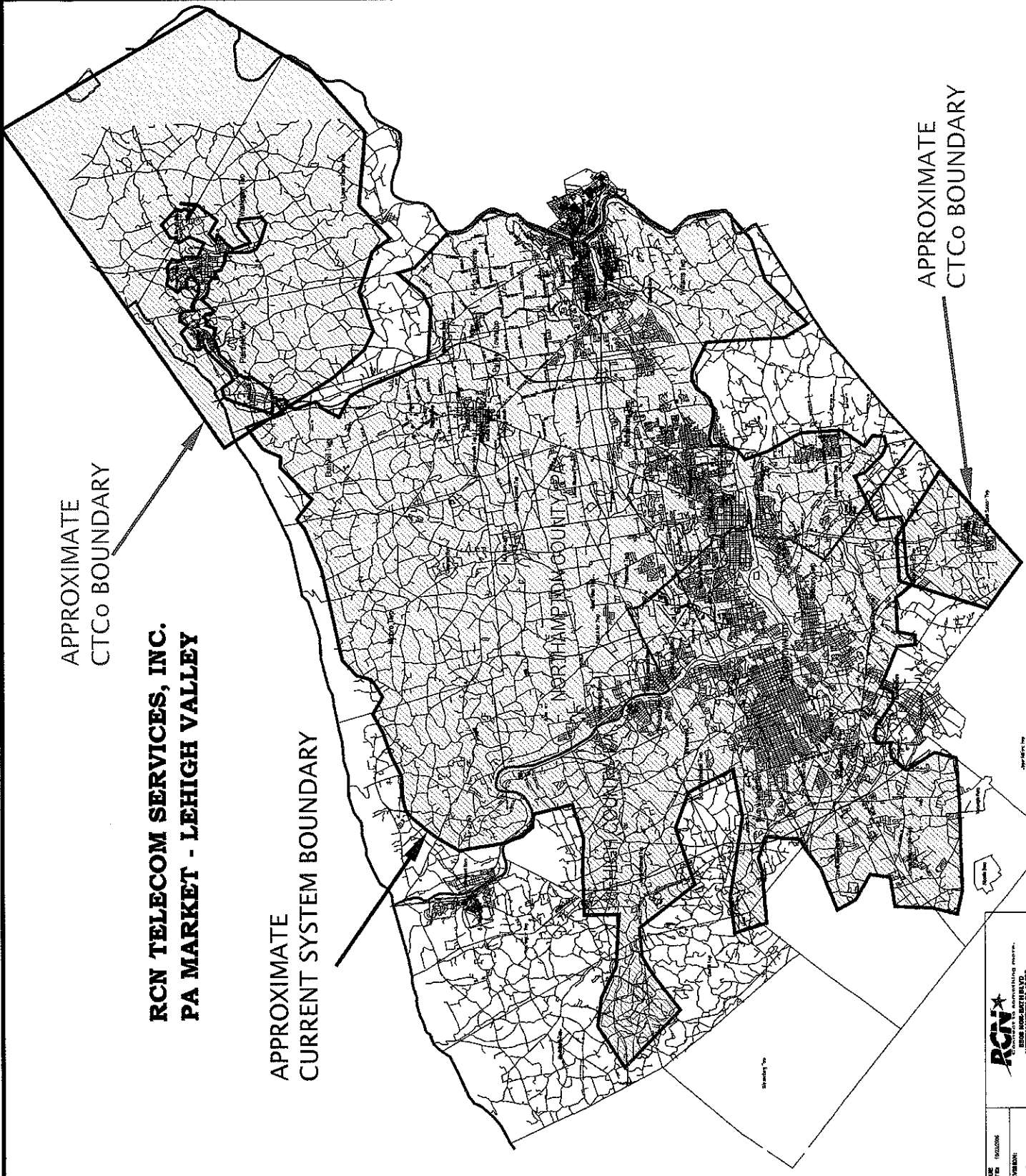
Counsel for RCN Corporation and RCN Telecom
Services, Inc.

RCN Corporation and RCN Telecom Services, Inc.
Petition to Deny
WC Dkt No. 06-184
File No. ITC-T/C-20060929-00450

Exhibit List

- A. Map of RCN Lehigh Valley Footprint With Overlap With Commonwealth Telephone Company Territory
- B. Final Transcript, CZN-Q3 2006 Citizens Communications Co. Earnings Conference Call, Nov. 7, 2006
- C. Final Transcript, CTCO-Q3 2006 Commonwealth Telephone Enterprises, Inc. Earnings Conference Call, Nov. 7, 2006
- D. Final Transcript, CZN-Citizens Communications Co. Merger & Acquisition Announcement, Sep. 18, 2006
- E. UBS Investment Research, TelMeDaily, Nov. 8, 2006

Exhibit A



APPROXIMATE
CTCo BOUNDARY

**RCN TELECOM SERVICES, INC.
PA MARKET - LEHIGH VALLEY**

APPROXIMATE
CURRENT SYSTEM BOUNDARY

APPROXIMATE
CTCo BOUNDARY


DATE: 10/22/2008	 <p>RCN LEHIGH VALLEY, PA NORTHAMPTON COUNTY, PA</p>
REVISION:	
DESCRIPTION:	
LOCATION:	LEHIGH VALLEY, PA
DATE:	10/22/2008
BY:	FILE NAME:

Exhibit B

FINAL TRANSCRIPT

Thomson StreetEventsSM

CZN - Q3 2006 Citizens Communications Co. Earnings Conference Call

Event Date/Time: Nov. 07. 2006 / 10:00AM ET

THOMSON

www.streetevents.com

[Contact Us](#)

Nov. 07. 2006 / 10:00AM, CZN - Q3 2006 Citizens Communications Co. Earnings Conference Call

CORPORATE PARTICIPANTS

Don Armour

Citizens Communications Co. - SVP of Finance and Treasurer

Maggie Wilderotter

Citizens Communications Co. - Chairman and CEO

Don Shassian

Citizens Communications Co. - CFO

CONFERENCE CALL PARTICIPANTS

Jonathan Chaplin

J.P.Morgan - Analyst

Phillip Olesen

UBS - Analyst

Tom Seitz

Lehman Brothers - Analyst

Chris Larsen

Credit Suisse - Analyst

Jason Armstrong

Goldman Sachs - Analyst

Simon Flannery

Morgan Stanley - Analyst

Jason Frazer

Raymond James - Analyst

David Barden

Banc of America Securities - Analyst

Mike McCormack

Bear Stearns - Analyst

PRESENTATION

Operator

Good day, everyone, and welcome to the Citizens Communications third quarter earnings release conference call. This call is being recorded. At this time, I would like to turn the call over to the Senior Vice President of Finance and Treasurer, Mr. Don Armour. Please go ahead, sir.

Don Armour - Citizens Communications Co. - SVP of Finance and Treasurer

Thank you, Sheila, and good morning.

The purpose of this call is to discuss the 2006 third quarter results for Citizens Communications which were released earlier this morning. If anyone needs a copy of this material, please call Lisa Lombardo at 203-614-5064. Form 10-Q will be filed later this week. On today's call are Maggie Wilderotter, Chairman and Chief Executive Officer; and Don Shassian, our Chief Financial Officer. During this call we will be making certain forward-looking statements particularly on matters relating to 2006 results and guidance. Please review the Safe Harbor language found in our press release and SEC files. On this call we will be discussing GAAP and non-GAAP financial measures as defined under SEC rules. In our earnings release and on our website, www.czn.net,

Nov. 07. 2006 / 10:00AM, CZN - Q3 2006 Citizens Communications Co. Earnings Conference Call

we have provided a reconciliation of non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP. Please refer to this material during our discussion.

I'll now turn the call over to Maggie.

Maggie Wilderotter - *Citizens Communications Co. - Chairman and CEO*

Thanks, Don. Good morning, everyone, and thank you for joining us.

Citizens Communications had a solid third quarter of 2006 building on our strong first half results. Revenues for the quarter were 507 million, expense management resulted in a 55% margin, and capital expenditures were still under plan for the year at \$65.1 million spent in the third quarter. All of these factors resulted in free cash flow generation of \$127.6 million. We achieved a comfortable dividend pay out ratio of 63%.

A big highlight for the third quarter was our announced purchase of Commonwealth Telephone Enterprises. Commonwealth is the 11th largest telephone company and does business in rural Pennsylvania. We believe this acquisition is a strategic fit for Citizens based on three primary reasons. First, it is cash flow accretive in year one without synergies, yet we believe we can achieve \$30 million of synergies over the first three years. Second, it is rural, which is our sweet spot, and there are revenue growth opportunities in increasing penetrations for high speed, bundles, long distance, and putting customers on one- and two-year contracts. In addition, Commonwealth has a disbursed and varied set of cable operator competitors. And third, this acquisition reduces our pay-out ratio. In 2009 when we are full tax payers, our pay-out ratio is expected to be reduced from 75% to below 70% as a result of this acquisition. Both Citizens and Commonwealth have submitted the necessary filings for this transaction with the Justice Department, the FCC, and the Pennsylvania Public Utilities Commission. SEC filings will take place shortly. Just a few weeks ago, we received Hart-Scott Rodino approval from Justice. Commonwealth anticipates a shareholder vote some time in early 2007, and we still are planning on a mid-year 2007 close for this transaction. We know in this time of uncertainty between now and close, this is hard on Commonwealth employees. All of us at Citizens appreciate what the employees of Commonwealth continue to do every day to service their customers and deliver results. We are also working on preliminary integration plans and are keeping the employees at Commonwealth informed of our progress.

Our solid third quarter revenue performance is a direct result of continued emphasis on selling bundled packages and enhanced data products to our customers. During the quarter, our high speed data customers increased to 362,000. Our Company-wide average revenue per high speed customer continues to be over \$40, and residential broadband penetration held steady at 22%. Our total net adds of 12,300 were less than the previous two quarters.

Heading into the third quarter, we made a decision to hold off on any major promotions during the quarter in order to put in place two very aggressive promotions for the fourth quarter. We did test one of these fourth quarter promotions for six weeks in August and September in our Rochester market with great success. The promotion is a triple play offer with a two-year contract that results in our customers getting a full year of the DISH Network's 200 channel digital package for free. We also coupled this offer with a new digital phone bundle of local and unlimited long distance for New York State. The results for the third quarter on these promotions in Rochester include the lowest access line losses in eight quarters, an increase of over 2000 new video customers, and an uptick in both high speed bundled sales and stand alone digital phone bundles. This competitive free TV offer is now available in ten additional markets for our fourth quarter promotion.

In those free TV markets and in all remaining markets, we also have a free PC offer. New high speed internet customers will receive a free Dell desktop PC with a two-year contract commitment and current high speed customers that commit to a three-year renewal can receive the free PC as well. Just to give you a sense of what we are seeing in terms of customer acceptance this quarter, in October, high speed sales were the highest that we have seen since January 2005. Finally, we have rolled out the digital phone offer in all markets nationwide. This national product bundle includes local and unlimited long distance as well as four key features for a very competitive monthly price.

Nov. 07, 2006 / 10:00AM, CZN - Q3 2006 Citizens Communications Co. Earnings Conference Call

Being active in our communities and building loyalty and trust are of critical importance to us. We've launched an exciting community event program in the third quarter called Game On. Partnered with ESPN 360, we filmed two rival high school football games that were available for viewing on ESPN 360. These games in Rochester and Gloversville, New York, had attendance at each game of around 5,000 people. In addition, Frontier had huge presence in the stadiums and local press coverage, including TV, radio, newspaper, school fliers also to homes, and half time Frontier contests. We are filming an additional eight games through Thanksgiving in markets around the country. During the quarter we have continued to add new DISH Network video customers. Our video customer base at September 30th, 2006, now totals 52,600. Total net customers who have purchased Frontier Connections our triple play package with voice, video, and data products, topped 47,000. Access line losses for the quarter were 29,800 substantially the same as losses we experienced in Q2 which were 29,600.

On the operations front, I want to update you on several key initiatives. We announced in June that we will be consolidating our 14 call center facilities nationwide. We're doing this consolidation to improve service to our customers, insure a qualified sales and service workforce, and to reduce costs of operations. This is a multiyear project that continues to be refined based on analysis. We have just announced that our current Burnsville, Minnesota, call center will be one of the remaining call centers. We had previously announced our first call center location in DeLand, Florida. Both of these centers will each house over 500 reps within the next two years. In September, we brought the DeLand call center online with 165 employees now taking calls and doing outbound telemarketing. As Don Shassian mentioned on our last call, we have incurred some duplicate customer operations expenses with the opening of the DeLand call center, which will continue over the next several quarters as we execute this transition.

We're cognizant that this strategic customer service consolidation decision is unsettling for many of our existing employees, but we continue to keep all employees informed on our plans and we are proactive in communicating with them on decisions, timelines, and for those affected, employment options. Our work-at-home pilot was completed in September and based on solid results, we will be rolling this out nationwide through the end of 2007. Work-at-home will be available to 150 of our existing customer service representatives and will help provide continued employment to many of our CSRs that will be affected by center closings.

We have several labor contract renewals that have been completed or are in progress. First we have renewed labor contracts in Burnsville, Minnesota, and our Iowa, Michigan, and West Virginia markets. We are in negotiations with three bargaining units at this time. We are pushing for three key concepts in all of our new agreements. A level of performance-based pay, managing our costs, especially in the benefits arena, and more operational flexibility in servicing our customers. All of our markets are competitive and the bar for better products and enhanced service is raised daily by our customers. We continue to support the right of our employees to be represented, and we are trying to be fair partners with all of our unions; however, these new contracts must reflect the current competitive environment we operate in where costs need to be controlled and operational flexibility to service customers is a must. Also on the labor front I am pleased to announce that our internet help desk employees chose to decertify in an election a few weeks ago. This group had been represented by the [United Care] Union in Rochester for the past several years.

Regarding new products for 2006, we are making solid progress with our wireless initiatives. We continue to pursue a dual strategy of building a Wi-Fi data network in select markets to provide a large data hotspot footprint for specific customer segments. We plan to overlay these wireless data markets with a wireless voice offering that will be delivered by wholesaling minutes from Verizon Wireless, who has the most extensive footprint coverage in our territory. In Q2, we announced our first municipal agreement with the City of Elko, Nevada. In Q3 we have signed several more agreements, and I am pleased we now have five municipalities and one college who are implementing our Wi-Fi data network. These include the County of Elko, Nevada; the City of Cookeville, Tennessee; the City of Carlinville, Illinois; the City of Burnsville, Minnesota; and Orange County Community College in Middletown, New York. We are in active discussions with a dozen other communities and colleges to implement the Motorola Mesh, Wi-Fi broadband network in addition to voice service. Our citywide Wi-Fi data service in Elko, Nevada, turned on last week, and we now have paying customers. This six square mile network includes 78 nodes and extensive coverage throughout the city limits. In mid November, we will start to actively market the wireless data service in Elko. The

Nov. 07. 2006 / 10:00AM, CZN - Q3 2006 Citizens Communications Co. Earnings Conference Call

Orange County Community College build is under way and should be completed this month. Finally, we also plan to test wireless voice later this quarter.

I want to mention that we continue to improve our web service products. We now have over 100,000 customers paying Frontier bills online each month. In addition, we have enhanced our customer websites to include more search opportunities, which generates incremental revenues for us through our relationship with Ask.com. Our priorities for the remainder of 2006 are about staying the course. A strong employee and customer focus, driving sales, improving our service delivery, launching new products, and maximizing financial returns.

Here now is Don Shassian, our Chief Financial Officer, to give you the financial overview of the 2006 third quarter.

Don Shassian - *Citizens Communications Co. - CFO*

Thank you, Maggie, and thank you, everybody, for joining us this morning.

Before I get into a discussion of the quarterly highlights, I would like to remind everyone as I have done in the past two quarters that there are three matters that have been accounted for or classified differently in 2006 than they were in 2005. First, we sold our conferencing business in March in 2005. Prior periods have been restated to reflect that business as a discontinued operation. Secondly, Electric Lightwave, which we have sold, is classified as discontinued operations. Prior years' data has been restated to reflect ELI as discontinued operations. Third, we have a one-third equity investment in Mohave Cellular Partnership that has been historically accounted for under the equity method. As a general partner of the partnership, we are required to consolidate this investment and reflect minority interest. Therefore, as a result of both classifying ELI and the conferencing business as discontinued operations and consolidating Mohave Cellular, our prior year numbers have been restated.

We had another solid quarter as we have once again increased our revenues, EBITDA, and free cash flow. Quarterly revenue increased over 1% and free cash flow increased 3% over last year's third quarter. Our free cash flow was \$127.6 million for the quarter and \$429.4 million through nine months, which puts us well on our way toward our free cash flow guidance of 500 to \$525 million for the full year. Our dividend pay out ratio for the third quarter was 62.9%, and 56.6% year-to-date 2006. The business generated \$47.3 million of cash in excess of our dividends for the quarter and \$186.3 million September year-to-date.

Our revenue increased 1.2% over third quarter 2005. We experienced strong growth in data and access revenues which include subsidies and to a lesser extent enhanced feature revenues offset by reductions in local revenue, long distance revenue, and equipment sales. Our third quarter revenue was also negatively impacted by some higher provisions for uncollectibles and lower USF surcharges to customers beginning in mid August 2006 as the calculation no longer permits the inclusion of high speed revenue. On a sequential basis, we continue to have good success in selling data products and enhanced services to our customers. Please note that revenues in the third quarter of 2005 were lower than expected due to the late filing with the Universal Service Fund last year. That revenue, which approximated \$10 million, was recorded in the fourth quarter of 2005. Data revenues for the quarter increased \$13.6 million or 29.7% compared to last year and increased more than 9% sequentially because of the continued growth in high speed internet subscribers as well as our pricing discipline in the marketplace. In addition, our high margin enhanced services revenue for the quarter increased 3.7% compared to last year because of our success in selling bundles of services. As a result, our ARPU has increased over 6% for the quarter and year-to-date.

With respect to high speed internet we added 12,300 high speed data customers during the quarter, which brought us to approximately 363,000 high speed internet subscribers at September 30. We've added more than 72,000 high speed customers over the last 12 months, which is an increase of approximately 25%. We emphasized value and the customer experience in our HSI sales, not price cutting. Our ARPU for high speed actually rose again this quarter, and it is now strongly above \$40 per month per subscriber. During the quarter, we added 7400 new bundle customers, which means that the number of our bundle customers has increased by more than 74,000 or almost 18% from a year ago. The penetration rate for our bundles is up to 23.1% of total

Nov. 07, 2006 / 10:00AM, CZN - Q3 2006 Citizens Communications Co. Earnings Conference Call

access lines, compared to 18.6% a year ago. And while our bundle penetration has increased, our overall penetration of some of these features like caller ID, call waiting and voice mail can be better.

As Maggie mentioned, we trialed various new marketing programs during the quarter in order to finalize our emphasis on fourth quarter campaigns. Our high speed and bundle net adds during the quarter were less than we anticipated, but it did help us finalize our thinking for the fourth quarter. The good news is that the response for a new fourth quarter campaigns has been very strong as our monthly gross adds for high speed in October are up over our monthly gross adds in third quarter. In addition, our monthly gross adds of feature bundles and video are also up significantly over third quarter. As a result we are expecting to obtain strong net adds in the fourth quarter which will give us a good start out of the gate for 2007.

Our access line losses were 29,800 during the third quarter of this year which is consistent with the rate of loss in the second quarter. About 26,800 of the line losses were residential. Of the residential line loss during Q3, 4400 were second lines, many of which were upgraded to our high speed internet service. In Rochester, both high speed internet and telephony competition remains rational. Our rate of line loss in the Rochester market decreased in Q3 2006 as schools are back in session, and we saw a favorable impact from one of our new campaigns which was trialed in Rochester. As Maggie mentioned we experienced the lowest level of quarterly access line loss in Rochester since 2004. Business line losses for the entire Company for the third quarter were 3,100 which is slightly up as compared to the second quarter but still a vast improvement over our business line losses in the past two years.

On the expense side, we continue to demonstrate tight cost management. As I mentioned last quarter, we did experience cost increases during the quarter as anticipated. Our EBITDA margin for the quarter was 55% which was a significant improvement over Q3 last year and was in line with our expectations. Our \$8 million improvement in other operating expenses over third quarter 2005 is primarily due to reduced headcount, strong cost management in benefit-related expenses, and the fact that third quarter 2005 had a \$3 million charge for severance costs. Our \$7.2 million increase in other operating expenses over second quarter 2006 was anticipated and was due to higher overtime for field operations, costs incurred to start up our call center at DeLand, Florida, increased common costs from the ELI Electric Lightwave separation, some regulatory fees true-ups and no tax refund similar to that received in the second quarter. Our capital expenditures for the quarter were \$65.1 million as we have focused on our growth opportunities, our competitive position in the marketplace, as well as return on investment and a review of capital projects. Our capital spending for the first nine months is slightly below last year's spending pattern, but this is simply a timing matter. We still expect to spend between 270 and \$280 million in 2006 including the capital necessary for us to build wireless data networks in our new contracted markets this year, which Maggie discussed earlier.

We did close on our sale of Electric Lightwave in July for \$243 million in cash, and the transfer of \$4 million in debt. This cash, along with the \$65 million we received in Q2 from the liquidation of the Rural Telephone Bank was integral to our ability to complete our previously announced stock buyback of \$300 million and debt repayment of \$150 million of debt maturing beyond 2006; however, due to the fact that we entered in substantive due diligence on Commonwealth Telephone in July, we did not restart our buybacks. Accordingly, no stock repurchases occurred during the quarter. Our stock buyback for the year is still \$135.2 million or 10.2 million shares, and therefore is only 45% complete. We do plan to complete the stock buyback plan subsequent to the closing of the Commonwealth transaction. During the quarter we retired the remaining \$29 million of our 6.75 senior notes due August 17th. Our Board also recently approved a fourth quarter dividend of \$0.25 per share payable on December 29 to shareholders of record on December 9, 2006.

I would like to reiterate our free cash flow guidance for 2006 is still between 500 and \$525 million. We will continue to focus on using our free cash flow to create long term and sustainable value for both our debt as well as equity holders. As Maggie mentioned, we expect the Commonwealth transaction to close in mid 2007. We have received clearance on Hart-Scott Rodino, have filed our applications for license transfers with the Pennsylvania PUC and the Federal Communications Commission. You should note that we also filed an 8-K yesterday which contained a recast 2005 10K. This filing was required to be done before we file our S-4 registration statement to register our shares and enable the Commonwealth shareholder meeting. The recast 10K, which will be incorporated by reference into the S-4 which should be filed today, presents Electric Lightwave as a discontinued operation for all years presented and consolidates Mohave Cellular for all years.

Nov. 07. 2006 / 10:00AM, CZN - Q3 2006 Citizens Communications Co. Earnings Conference Call

In closing, we have very positive outlook for the future performance of this business, its ability to generate free cash flow and our ongoing debt retirement and stock buyback programs. With the success of the closing and integration of Commonwealth Telephone, we expect to be able to keep our dividend pay out ratio well below 70% even when we become full cash tax payers in 2009 and beyond, while maintaining a reasonable level of leverage.

Thank you for your interest. Operator, I would ask you to please open this up to questions.

QUESTIONS AND ANSWERS

Operator

[OPERATOR INSTRUCTIONS]. Jonathan Chaplin, J.P. Morgan.

Jonathan Chaplin - J.P.Morgan - Analyst

Good morning, thanks. Two quick questions if I may. I'm wondering what the EBITDA impact of the free TV and free PC offers were. Obviously, I'm assuming it's pretty small this quarter but I'm assuming it's going to be more meaningful in the fourth quarter and on an ongoing basis. And then secondly, on access lines. The access lines were pretty consistent with -- the access line losses were pretty were pretty consistent with last quarter. I would have expected, actually, a slight improvement due to seasonality on the one hand and then due to the impact of the promotions that you had in Rochester on the other. So I'm wondering where else you're seeing pressure on access lines in your markets, and if you could just put that in the context of what you're seeing on the cable competition front, that'd be great. Thanks.

Don Shassian - Citizens Communications Co. - CFO

Jonathan, first question, I'll take a shot on EBITDA. I'm not sure I can give you a forecast on the impact. It depends on how successful we are and how strong this continues to be throughout the quarter. I will point out that the accounting for these offers is a little bit different. The accounting for the free TV ends up being a charge contra revenue, so our revenue will be impacted for the year that we are offering the free TV, so we're seeing a nice strong take on that and actually very much stronger in the markets on free TV than we had anticipated. On the free PC offer, that actually will be a charge to cost of goods sold under the accounting rules, and so it's difficult for me to give you a guidance on it. It'll really depend on how strong these adds are, and we'll obviously keep you informed in the next earnings release but we're feeling very comfortable about these adds right now.

Maggie Wilderotter - Citizens Communications Co. - Chairman and CEO

Yes, Jonathan, the other thing I would mention is with both of these offers they're geared around new customers for high speed internet, so the lift in revenues that we're getting in adding high speed customers, again, with average revenue over \$40 is almost a push to the video expenses that we have. So we're not anticipating any material change in EBITDA based upon these offers.

With regard to the access line losses, I would say that in our central and west regions, we did see increased competition in the third quarter by a number of cable operators launching phone products, including Mediacom throughout our central region. So we did have a little bit of puts and takes throughout the country, and we did see some rise in some access line losses, but we feel very confident with the digital phone launch that we've done nationwide with our local unlimited long distance and features. We now have a very competitive offer in the marketplace to counter that.

Nov. 07. 2006 / 10:00AM, CZN - Q3 2006 Citizens Communications Co. Earnings Conference Call

Jonathan Chaplin - *J.P.Morgan - Analyst*

If I could follow-up quickly just on the first item. How much is a PC costing you guys and how many of the net adds -- DSL net adds in the Rochester market where you trialed it took the free PC?

Maggie Wilderotter - *Citizens Communications Co. - Chairman and CEO*

Well, we didn't trial free PC in the Rochester market. We only trialed free TV in that marketplace. And frankly, based upon the agreement we have with Dell on confidentiality, we cannot disclose the actual cost of the PC.

Jonathan Chaplin - *J.P.Morgan - Analyst*

Okay. Thank you very --

Maggie Wilderotter - *Citizens Communications Co. - Chairman and CEO*

But we got a good deal.

Jonathan Chaplin - *J.P.Morgan - Analyst*

Okay.

Operator

Phillip Olson, UBS.

Philip Olesen - *UBS - Analyst*

Yes, thanks a lot. Actually two separate questions. First, on the wireless initiatives, if you could maybe just give a little bit more detail, specifically kind of what is the average cost to construct one of these networks? How is that CapEx split between you and either the municipality and the college, what the revenue split would be based on once the network is up and running? And what do you think kind of the ultimate terminal margins are for product once -- or for that initiative once the market is launched? And finally on wireless, of your footprint, how many markets do you think offer that opportunity? And then separately in the balance sheet, recognizing that you have not done the debt repurchases under the planned 150 million, does the Commonwealth deal preclude you from completing that planned debt retirement? And if not, if you could either give some details as to how you would expect to complete it, or will that be done as part of a comprehensive financing for the Commonwealth transaction? Thanks.

Maggie Wilderotter - *Citizens Communications Co. - Chairman and CEO*

Is that all you want to know, Philip?

Philip Olesen - *UBS - Analyst*

That's it, I promise.

Nov. 07, 2006 / 10:00AM, CZN - Q3 2006 Citizens Communications Co. Earnings Conference Call

Maggie Wilderotter - *Citizens Communications Co. - Chairman and CEO*

All right. Let me start on the wireless side. I'll kick the debt stuff over to Don to address with regard to Commonwealth. But with regard to the wireless initiatives, it's a fairly inexpensive build for us. We're actually looking anywhere from \$0.5 million to about \$2.5 million per city build. And again, it depends on the size and the topography of each of these locations, but remember we have a nationwide data backbone, so a big part of the capital for implementing this wireless data network is already in place. The second thing is on the split of CapEx, for the municipality agreement, we are paying the CapEx. We are building those networks. We are not expecting the municipality to participate on that. We do, however, have agreements with our municipalities that if, in fact, they are going to use wireless broadband services, they will use our services in those markets. In addition to that, we're getting rights of way from each of these municipalities to enable us to build using the infrastructure of the municipality. On the colleges, we do not have a capital split, but there is a pay-as-you-go and a commitment of that payment from the college or university up front in the contract, so there's a decent pay back for us with regard to building that specific anchor tenant.

Don Shassian - *Citizens Communications Co. - CFO*

Multiyear contracts.

Maggie Wilderotter - *Citizens Communications Co. - Chairman and CEO*

And these are multiyear contracts, 5 to 10 years depending on the contract that we do with a municipality or university. There are no revenue splits in any of our contracts, so all the revenue generated on these networks is our revenue, and we do foresee margins to be very strong on the wireless side. From a footprint opportunity, we have identified -- we have 285 counties where we do business. We've identified 50 markets where we think this type of a capability makes sense over the next three to five years, and that's our pipeline that we're working at this point. So that's sort of the overview on wireless. I'll now turn it over to Don on your debt question.

Don Shassian - *Citizens Communications Co. - CFO*

And on the margins, Philip, margins as we see them are better than the margins in the [ELI] business so they are north of 55%. On the debt issue, the transaction does not preclude. What we do feel that we have been precluded until we get our S-4 filed. Once that's filed, we are looking at a number of initiatives to continue to look at our existing debt in a number of different ways, and I'm not going to be able to announce anything specific, but we are looking at ways of trying to deal with the 2008s and trying to enhance our ladder, if you would, on those and we've got a number of initiatives we are pursuing to go forward with.

Philip Olesen - *UBS - Analyst*

That's great. Thanks a lot.

Don Shassian - *Citizens Communications Co. - CFO*

Thank you.

Operator

Tom Seitz, Lehman Brothers.

Nov. 07. 2006 / 10:00AM; CZN - Q3 2006 Citizens Communications Co. Earnings Conference Call

Tom Seltz - *Lehman Brothers - Analyst*

Yes, thanks for taking the question. Just I guess a point of clarification on the computer and DISH promo. Is there not going to be any capitalization of any of the equipment that's involved in any of these things? It's all -- it's all going to be expensed at the time of sale?

Don Shassian - *Citizens Communications Co. - CFO*

That's correct, Tom.

Tom Seltz - *Lehman Brothers - Analyst*

Okay.

Don Shassian - *Citizens Communications Co. - CFO*

We're not taking ownership of the PCs. This is a transaction that is going to the customer and the cost of that is going to be expensed as it is installed.

Tom Seltz - *Lehman Brothers - Analyst*

Okay. Now, are your reps going to -- I mean, are you going to ever take physical ownership of the computers or are they going to go straight from the Dell warehouse to the customers?

Maggie Wilderotter - *Citizens Communications Co. - Chairman and CEO*

They are drop shipped from the Dell warehouse directly to the customer.

Tom Seltz - *Lehman Brothers - Analyst*

Okay.

Don Shassian - *Citizens Communications Co. - CFO*

The only thing, Tom, that we're looking at, obviously if you can think about our process today to sell high speed, we sell it. Our rep is able to go to the home because we do installs for our -- all of our high speed today. There's somewhat of a delay between the sale and getting the PC delivered by Dell, so we have a little bit of a backlog right now in a lot of our high speed adds. And so we're constantly looking at whether we want to take any Dell PCs for a period of time to be able to get installs done but right now we're not thinking of doing that.

Tom Seltz - *Lehman Brothers - Analyst*

Okay. Okay. And then just -- I know you've split into operating regions. Are these promos going to be rolled out to all the regions at the same time, or are they going to be staggered or are some regions going to get these promos and others not? I mean, just trying to get some sort of idea on the magnitude here.

Nov. 07, 2006 / 10:00AM, CZN - Q3 2006 Citizens Communications Co. Earnings Conference Call

Maggie Wilderotter - *Citizens Communications Co. - Chairman and CEO*

Well, we have the free TV promo running in 11 markets right now.

Tom Seitz - *Lehman Brothers - Analyst*

Okay.

Maggie Wilderotter - *Citizens Communications Co. - Chairman and CEO*

And then the balance of our markets are front and center with the free PC offer. But in the 11 markets where we have free TV, we're actually giving the customer the choice between free TV or free PC.

Tom Seitz - *Lehman Brothers - Analyst*

Got you.

Maggie Wilderotter - *Citizens Communications Co. - Chairman and CEO*

But we're trying with the messaging to lead with one or the other from a positioning perspective.

Tom Seitz - *Lehman Brothers - Analyst*

Okay. Great. Thank you very much.

Don Shassian - *Citizens Communications Co. - CFO*

I also think it's important to understand what we've saw in Rochester with the offer last quarter is while the offer is very, very compelling, it just -- it stimulated the market and it stimulated discussions and opportunities for our reps to be able to continue to sell other products and services and that has been a very successful view for us in why we are now rolling this in all of our other markets.

Tom Seitz - *Lehman Brothers - Analyst*

Terrific. Thank you again.

Don Shassian - *Citizens Communications Co. - CFO*

Thanks, Tom.

Operator

Chris Larsen, Credit Suisse.

Nov. 07, 2006 / 10:00AM, CZN - Q3 2006 Citizens Communications Co. Earnings Conference Call

Chris Larsen - Credit Suisse - Analyst

Hi, thanks, and good morning. Don, a question for you on the run rate expenses that we won't see from the third quarter into the fourth quarter, the Electric Lightwave stuff, could you give us a sense for what we'll be missing there? And then secondly, on the DSL, as you mentioned, it was a little light in this quarter. You didn't have the free PC promotions. Do you think this was a more function of turn to cable or gross adds, or any sense for what may have impacted the third quarter? And then the Wi-Fi product that you're doing. Are you going to be bundling that in terms of pricing with your DSL product? Thanks.

Don Shassian - Citizens Communications Co. - CFO

Chris, on the first one, the run rate expense, there are a number of expenses that came up in the quarter which we had anticipated, both the cost on DeLand and a common cost in Electric Lightwave. Those are all going to be continuing. The DeLand, as we continue to work through our consolidation process that Maggie mentioned earlier, so that's still going to be there for at least another quarter and it depends on how we continue to roll this out. There are some expenses in every quarter that are sort of one-timers that comes in and come out. And they're small and so there are a couple of items this quarter that are not necessarily recurring. We had an increase in some regulatory fees true-ups for the quarter that sort of hit us a little bit unanticipated. But then on the flip side, there's always some other things on the positive side, so the key I'd like to give guidance to as I gave last quarter, last quarter we hit 57% margins and I gave people guidance saying that that is not a sustainable margin level for us and this quarter came in where we had expected it to, at it's a margin level we feel very comfortable with.

Maggie Wilderotter - Citizens Communications Co. - Chairman and CEO

The -- just, Chris, to your question on high speed, we did see some uptick in our churn in the third quarter. Again, we believe that that has to do somewhat hand-in-hand with what we saw with cable operators launching digital phone in several of our markets from a new blitz perspective, so there is some pull through through high speed churn on that. We also had a number of customers that come up on their contracts on an annual basis so we think that that's where some of that vulnerability was. I'll also say that we did see some uptick in churn in New York that was attributable to the floods that we had there earlier in the year that we did have some customers in those affected areas had some fairly material damages to their homes. And the priority, we believe, what they're telling us, the priority has been to cut back on some expenses while they get their homes restored. We do believe we'll get those customers back on service.

The adds continue to be strong, not to the level that we had the quarter before, but again, we believe that's because we didn't have any drive for major promotions in the marketplace, but we still think there's a great opportunity for us to continue to press and push for more market share, and we do think that the free PC offer will help, especially because we still have a substantial number of customers in our markets that don't own a PC. And we believe by providing that capability and plus with our full install, we'll go -- when the Dell PC shows up, we go in with our technician, we set that PC up for the customer, we install high speed, we load our anti-virus software, we set up our portal, and that customer is ready to go when we leave that house. And we think that's a huge value driver that we can deliver in the market. Finally to your question on Wi-Fi and bundling. Absolutely, we are selling this product as an add-on to our existing high speed internet customers in these markets, so -- and we've kept it very simple for our customers, it's simply an additional 9.99 a month for consumer or business to have the hotspot Wi-Fi citywide coverage if they're a high speed internet customer with Frontier, so we think it's a very compelling offer. In addition to that, we are selling day passes, so we are also going to be getting incremental revenue from visitors to these cities, and again, keeping it very simple, it's 9.99 a month -- I mean a day for a day pass for anyone who comes into these markets and wants to use broadband access.

Nov. 07, 2006 / 10:00AM, CZN - Q3 2006 Citizens Communications Co. Earnings Conference Call

Chris Larsen - *Credit Suisse - Analyst*

Thanks, Maggie. One other question. I know you can't give us the pricing on the Dell PCs, but could you give us a sense for the payback period on how long do you think it takes to recoup your cost into the PC or your costs all in or any way you want to give it to us?

Maggie Wilderotter - *Citizens Communications Co. - Chairman and CEO*

Well, we're -- again, we've just launched this so we're still -- we're still looking at what our total revenues will be with each of these customers that we bring on service, but we believe the payback is 12 months or less and that's what we're focused on, and as I mentioned it's a two-year contract for a new customer and a three-year contract for an existing customer, so we feel very comfortable with the investment.

Chris Larsen - *Credit Suisse - Analyst*

So well within the contract period?

Maggie Wilderotter - *Citizens Communications Co. - Chairman and CEO*

Absolutely.

Don Shassian - *Citizens Communications Co. - CFO*

Yes, sir.

Chris Larsen - *Credit Suisse - Analyst*

All right. Thank you.

Operator

Jason Armstrong, Goldman Sachs.

Jason Armstrong - *Goldman Sachs - Analyst*

Thank you, good morning.

Maggie Wilderotter - *Citizens Communications Co. - Chairman and CEO*

Hi, Jason.

Jason Armstrong - *Goldman Sachs - Analyst*

Couple questions. First, maybe just a follow-up on the margins, Maggie, I think your comment was no material changes to EBITDA from some of the new bundling initiatives, TV or PC promotions. Given that you're expensing the PC at least, is your comment sort of -- is the interpretation that there's no sort of dilution to this metric over the lifetime of the customer or is the

Nov-07-2006 / 10:00AM, CZN - Q3-2006 Citizens Communications Co - Earnings Conference Call

interpretation here that on an absolute basis there's no expectation of EBITDA dilution from this in the near term? And then second of all, just one more question on Wi-Fi. I'm wondering if you can help us think through the recurring cost structure of running a Wi-Fi network, sort of what the components are? Don, you mentioned 55% margins and I guess the next layer of the question is, do you just help us to think through sort of the margin gap available to you from having facilities-based operations in the area versus a municipality or some other type of entrant trying to offer the service. Thanks.

Don Shassian - *Citizens Communications Co. - CFO*

Margins, Jason, it -- we believe that our margins are going to be able to stay pretty steady. There's a flier here and the hypothetical I'll throw to you is if we get a huge take on free PC, the PC charge hits cost of goods sold when it's installed, so you can imagine in one quarter, if you got a huge take, you could have sizeable charge to -- an impact on EBITDA for that quarter. On the flip side, if it is a free TV, it is spread out over 12 months because it's a 12 month free process so EBITDA gets impacted over that 12-month period. We believe that we're going to be able to continue to maintain our margins. If the PC sale hits a home run, then maybe we're going to have a little bit of a blip, but we're not seeing an overwhelming take on PC versus TV. In many of our markets -- rural markets, TV is a very integral part of their lives and is a very important part of their lives and is a very strong take, more so that you might suspect the person living on the East Coast. It really is counter to what your thinking may be here on the East Coast. TV is very, very important. So macro, we think our margins are going to be very sustainable. On a short-term, it really depends on the mix of the product, but we also think that a number of our cost expense reduction initiatives we continue to focus on will hopefully enable us to keep our EBITDA margins where they are, as well as continuing to sell some other products and services on top of that.

Maggie Wilderotter - *Citizens Communications Co. - Chairman and CEO*

Jason, with regard to your question on Wi-Fi and reoccurring costs, we don't see any material recurring costs that are just specific to Wi-Fi. There is some maintenance costs, of course, to the network that we factor into every one of these deployments. But if you think about it since it's in markets where we already do business, we are leveraging the infrastructure of our technicians, we're leveraging the infrastructure of our customer service reps. Our marketing and sales promotions because these are quadruple play opportunities for us, so -- and again, the data backbone network in terms of carrying the traffic. So we believe this is a very high margin play for us and a huge satisfier for customers and just another way for us to differentiate our services in the marketplace.

Don Shassian - *Citizens Communications Co. - CFO*

And a very, very good quality product. I mean, the backhaul costs are minimal for the most part because we've already got it there, so it's a very good quality product for our customers in our territories which is important for who we are and what we stand for.

Jason Armstrong - *Goldman Sachs - Analyst*

And just in terms of helping us think through barriers to entry, I mean, you guys clearly have a -- an advantage with an existing infrastructure. Relative to sort of the 55% margins that you just referenced, what do you think municipalities or some of the other providers we've heard mentioned sort of running municipalities Wi-Fi networks, what do you think the margin gap is from having this infrastructure advantage?

Nov. 07. 2006 / 10:00AM, CZN - Q3 2006 Citizens Communications Co. Earnings Conference Call

Don Shassian - *Citizens Communications Co. - CFO*

Jason, I'm not sure I can -- I can shoot from the hip on that. Let me give some thought to that. I'm not really sure, but I do know that their start up costs are very, very significant and they're staying in touch with -- up to speed on technology. It's going to be very significant, but I don't think I want to throw a number out just shooting from the hip.

Maggie Wilderotter - *Citizens Communications Co. - Chairman and CEO*

I think you can think about it this way though, Jason, is with us going in and putting together an agreement on rights of way with these municipalities and we are also getting non-interference exclusivity on the Infrastructure, and being first to market with these capabilities, I think it's a win/win but we're also -- as you remember, we're in very small markets. If you think about the size of these markets that we're talking about here, we're talking anywhere from 5,000 customers to 20, 21,000 customers so from a focus perspective, we think that if there's a competitor, they're not necessarily going to come into those size markets at this point.

Jason Armstrong - *Goldman Sachs - Analyst*

Okay. Thanks a lot.

Operator

Simon Flannery, Morgan Stanley.

Simon Flannery - *Morgan Stanley - Analyst*

Okay. Thank you. Good morning. Maggie, with the Commonwealth acquisition, it's obviously a new chapter for the -- sort of the Citizens over the last couple of years anyway in terms of cash deployment and so fourth. Does that preclude you from doing other M&A transactions, either before that's closed or even after that from a balance sheet perspective? There are [arbut] access lines which may or may not be available. So can you help us think about your sort of the near term goals so sort of 3 to 5 year outlook for consolidation? You've obviously got some pretty attractive cash flow accretion coming out of this both near term and longer term so does that sort of cause you to look at other acquisitions more positively? Thanks.

Maggie Wilderotter - *Citizens Communications Co. - Chairman and CEO*

Hi, Simon. I would say, first and foremost, front and center for us right now is getting the Commonwealth acquisition integrated and doing a really great job on that and delivering on the expectations that we've set for our shareholders, so that's number one. I don't think it precludes us from looking at other opportunities. There might be small opportunities that we might look at, i.e. a market that might come for sale that's adjacent to some of our other markets that are small that would be easy to integrate. But we are not actively on the acquisition trail at the moment. We are definitely focused on Commonwealth. Now, that being said, we do believe that as other opportunities come up, we will look at those. We will be situational about it. We have a ten point criteria on acquisitions that we are very disciplined about and if lines come available and they are in our sweet spot, we will take a look at it and make a decision appropriately.

Simon Flannery - *Morgan Stanley - Analyst*

Okay. Fair enough. And just a clarification on the buyback. I think maybe Don said that the buyback would start once the deal had closed, but I understood that maybe you could start buying back after the shareholder votes. Is that a possibility as well, or are you going to just be more cautious and wait until the deal closes?

Nov. 07, 2006 / 10:00AM, CZN - Q3 2006 Citizens Communications Co. Earnings Conference Call

Don Shassian - *Citizens Communications Co. - CFO*

The stock buyback is after close. The -- dealing with our debt can happen after we file our S-4. The difference between debt and stock. Does that help?

Simon Flannery - *Morgan Stanley - Analyst*

Thank you.

Operator

Frank Louthan, Raymond James.

Jason Frazer - *Raymond James - Analyst*

Good morning. This is [Jason Frazer] in for Frank Louthan. Just two quick questions. Could you just give us a quick update on your outlook for USF revenue in 2007? And secondly, just how -- what was the [high cat circuit growth] in the quarter and maybe the primary drivers of that? Thanks.

Don Shassian - *Citizens Communications Co. - CFO*

What was the second question?

Jason Frazer - *Raymond James - Analyst*

High cat circuit growth in the quarter and the primary drivers.

Don Shassian - *Citizens Communications Co. - CFO*

USF 2007, as we've mentioned in the past two calls, our USF revenue's been very strong this year. A component that we have and we are not -- it's not a large portion of our revenue, but the high cost funds support from the Federal Communications Commission was up this year as a result of relying and utilizing data from 2004, which is when there was a restructuring charge here and some of those costs worked their way in. We do expect to see as we rely on 2005 data in 2007, our USF high cost fund support revenue is going to be coming down a little bit. And I'm not sure I can give you any guidance. We'll give you guidance when we come out with our free cash flow guidance for next year, but USF revenue on the high cost side will be decreasing in 2007.

Jason Frazer - *Raymond James - Analyst*

Great, thanks.

Operator

David Barden, Banc of America Securities.

Nov. 07, 2006 / 10:00AM, CZN - Q3 2006 Citizens Communications Co. Earnings Conference Call

David Barden - *Banc of America Securities - Analyst*

Hey, guys. Thanks for taking the question. We talked a lot about the promotions and kind of the mechanics and what we can do on the costs. I was wondering if we could talk about the kind of higher level first. You've talked about the rational competition in Rochester, et cetera. But I guess when you look at this from the outside -- a year of free TV, a free computer -- it does kind of feel or at least look like maybe an escalation in the terms of the competitive environment or the stance that Citizens wants to take, certainly much more aggressive than any of the other companies we've seen in the sector to this point in time. So I guess first would be from a promotional standpoint, is this really just a promotion, a few weeks, a month, a quarter? And then second, as you sat down and decided to do this particular strategy, was it more of an attempt to kind of get out in front of cable, or did you feel like cable was starting to press harder and you felt you had to respond? Thanks a lot.

Maggie Wilderotter - *Citizens Communications Co. - Chairman and CEO*

Let me -- let me take a shot at it. Let me start by saying I think we are in very competitive environments everywhere where we do business, and we want to make sure that we are very focused on providing value to our customers and continuing to grow shares. Strategically, we think one of the most important things we can do is to continue to grow our broadband penetration and we have very high penetration today, and I think you have to look at different ways of continuing to push that penetration when you have high market share penetration. In addition to that, we believe bundled products reduce churn and increase stickiness, so the goal of these promotions were really to accomplish those two objectives. To get out front of any competition that we have in the marketplace, whether it's cable competition or others, but to position products in such a way that we can drive the agenda of share on broadband and bundled products. We call these promotions because we're doing them in the fourth quarter. Whether we'll do that longer or not will depend on what the results are from the fourth quarter. We were very encouraged by the results we saw in Rochester, and we were also very encouraged by the response we saw from a competitive perspective on these offers, so we're going to continue to drive this through the fourth quarter. We'll evaluate after that to see what we do for next year, but I feel that as we run this business and we have multiple products and services to deliver to customers that we should be proactive in the marketplace, not reactive. We should take the front line of making sure we are innovating for our customers because they expect us to.

Don Shassian - *Citizens Communications Co. - CFO*

And to try to really give them incentives to join us. We are not going to commoditize our product. We're not going to be lowering our price significantly, so we're trying to find ways to really incent our customers to join us and trial the things we've got and to stay with us.

David Barden - *Banc of America Securities - Analyst*

And if I could just follow-up real quick on that, to that point about bringing people in, you've in the past talked about kind of inbound and outbound share losses and if you could kind of give us an update on that, that would be great.

Don Shassian - *Citizens Communications Co. - CFO*

Inbound and outbound share --

David Barden - *Banc of America Securities - Analyst*

In terms of the causes or the drivers of the line losses in the quarter, typically you guys have seen it's been mostly not so much losses of existing customers but kind of lack of move-ins --

Nov. 07. 2006 / 10:00AM, CZN - Q3 2006 Citizens Communications Co. Earnings Conference Call

Maggie Wilderotter - *Citizens Communications Co. - Chairman and CEO*

Right. And it's still -- the gross add issue is still [fox]. We have, as I've mentioned in the past, a number of initiatives that we've done to improve our gross adds. I think the good news is we've made some progress there. We are not seeing the decline in gross adds like we did last year, so we're sort of holding our own. We have yet, I think, to gain and make up for the differences that we'd like to see in terms of growing gross adds on access lines, but we're not losing anymore of that share which is a good news story, and we're going to stay the course on a number of those initiatives and we think as they have more time in the marketplace, it will be helpful to us overall.

David Barden - *Banc of America Securities - Analyst*

Thanks a bunch.

Don Shasslan - *Citizens Communications Co. - CFO*

Thanks, David. Let me -- also, Simon Flannery asked a question earlier that I -- let me clarify my answer. Simon asked about the timing of doing stock buybacks and debt repayments. I misspoke. Stock buybacks, we can get back in to do after the Commonwealth shareholder vote, assuming there's no other information regarding it to be disclosed so the shareholder vote is sort of the key trigger there. The debt repayments, et cetera, buybacks in the market, et cetera, is after the S-4. Sorry for the confusion. Operator, one more question, please.

Operator

Mike McCormack, Bear Stearns.

Mike McCormack - *Bear Stearns - Analyst*

Thanks. Hi, guys.

Don Shasslan - *Citizens Communications Co. - CFO*

Hi, Mike.

Mike McCormack - *Bear Stearns - Analyst*

Just -- I guess we'll beat the horse one more time before the call ends. I mean, you guys have been in this business a long time. In the history of telecom we things are given for free, it tends not to be too favorable and I'm just looking at the puts and takes on margin sustainability. I mean, it seems to me like irrespective of how much the PC costs, the install times could actually be a more significant factor, and on the TV deal, I understand that's a contra revenue that's going to offset -- the DSL ad will theoretically offset the revenue side, but I assume that you're getting a big hit then on DSL profitability. So if you could walk us through sort of the puts and takes on how margin is sustained in that environment? And then secondly, have you given thought to -- I understand share gains versus competitors in the high speed data market -- using capital instead of operating expense to either innovate products or increase fees, et cetera, to have the ability to sell maybe at a higher tiered, higher priced product? Thanks.

Nov. 07, 2006 / 10:00AM, CZN - Q3 2006 Citizens Communications Co. Earnings Conference Call

Maggie Wilderotter - *Citizens Communications Co. - Chairman and CEO*

Let me start on the install time. Just to give you a sense, Mike, we are seeing no change, no material change at all in install times on these PCs, and we've already installed several thousand of them nationwide. PCs are very easy to install these days. Most people go to a retail store, buy a PC, come home and they hook it up themselves. We believe by offering the service to actually hook that PC up for the customer in addition to doing the high speed install is just a value-added service that we can do. But we've also found that a lot of people have already taken it out of the box and installed it themselves when we get there, and then we simply check it out and load the software, so we are not seeing anything material on the install side.

Don Shassian - *Citizens Communications Co. - CFO*

And the -- point blank, Mike, we're not seeing -- we're not having incremental cash out to do these installs. So it's utilizing our existing workforce and proper scheduling and slipping of the needle or service commitments, so things have been rolling out as we've been doing our campaigns, it's enabled us to maintain the productivity of our field force so we're doing a great job.

Mike McCormack - *Bear Stearns - Analyst*

I guess the concern is any time you tend to enter a consumers home, things don't ever go as smoothly as you hoped, but it seems like your early experience is better than that.

Maggie Wilderotter - *Citizens Communications Co. - Chairman and CEO*

And remember, we've been doing full installs in our markets for two years, so except for Rochester where we're probably at 60 to 70% full install, every market in the United States, when we -- when we put in high speed internet, we roll a truck to that house. And we've been doing that since day one because it's important for us that that first experience a customer has is a good one. And if you'll recall, when we transitioned to full installs, we did not add one headcount to do that in our technician force. And part of it is we've really worked with our techs nationwide to put a universal tech concept in place, so our technicians are very well versed and very capable and very experienced and they've done a great job of doing this effectively with high productivity.

Don Shassian - *Citizens Communications Co. - CFO*

And Mike, on the free PC, let me make sure that you understand, this offer is being made to new HSI customers, not for existing customers.

Mike McCormack - *Bear Stearns - Analyst*

Right.

Don Shassian - *Citizens Communications Co. - CFO*

So we're trying to find ways to incent customers who don't necessarily have a PC to become more familiar with it, and we think by our tech being there and hand-holding will help them become more familiar with the technology. So that's one group we're trying to target, and likewise we're trying to incent people maybe with a competitor. We're trying to incent them to come with us and again hand-holding and the like that would demonstrate the value we provide from install through the services to the quality of the product, and we think it's a very compelling process. The pay back is very clear. It's a two year contract and to us that's very important. We'll make a commitment to the customer. We want them to make a commitment to us, and so we

Nov. 07. 2006 / 10:00AM, CZN - Q3-2006 Citizens Communications Co. Earnings Conference Call

don't think we're upping the ante here. We're just thinking we're finding more unique ways to reach the customer base while keeping our basic product price where it is, which we think is very valuable.

Maggie Wilderotter - *Citizens Communications Co. - Chairman and CEO*

We also have a contract termination fee in place that we've made a higher amount for the free PC offer for the customers that actually take that offer.

Don Shassian - *Citizens Communications Co. - CFO*

Thanks, Mike.

Mike McCormack - *Bear Stearns - Analyst*

Thank you.

Operator

At this time, I'd like to turn the conference back over to Maggie Wilderotter for any additional or closing remarks.

Maggie Wilderotter - *Citizens Communications Co. - Chairman and CEO*

Thanks, Sheila. Well, again, I want to thank you all for joining us for the conference call. As I think Don mentioned earlier, we are very excited about the opportunities for this business. We're continuing to drive and change the paradigm to a full service communications company, and I think that you will continue to hear more from us on our next call on a number of these offers which have stimulated a lot of great discussion, in addition to our progress that we're making on Commonwealth. So thanks again for joining us.

Operator

And that does conclude today's presentation. We thank you for your participation and you may disconnect at this time.

DISCLAIMER

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2006, Thomson Financial. All Rights Reserved.

Exhibit C

FINAL TRANSCRIPT

Thomson StreetEventsSM

CTCO - Q3 2006 Commonwealth Telephone Enterprises, Inc. Earnings Conference Call

Event Date/Time: Nov. 07. 2006 / 9:00AM ET

THOMSON

www.streetevents.com

[Contact Us](#)

Nov. 07. 2006 / 9:00AM, CTCO - Q3 2006 Commonwealth Telephone Enterprises, Inc. Earnings Conference Call

CORPORATE PARTICIPANTS

David Weselcouch

Commonwealth Telephone Enterprises, Inc. - SVP of IR and Corporate Communications

Mike Mahoney

Commonwealth Telephone Enterprises, Inc. - President and CEO

Don Cawley

Commonwealth Telephone Enterprises, Inc. - EVP, CAO and Principal Financial Officer

Eileen Odum

Commonwealth Telephone Enterprises, Inc. - EVP and COO

CONFERENCE CALL PARTICIPANTS

Jonathan Chaplin

J.P.Morgan - Analyst

Simon Flannery

Morgan Stanley - Analyst

PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Commonwealth Telephone Enterprises 2006 Third Quarter Earnings Conference Call. My name is Meredith and I will be your conference facilitator today.

[OPERATOR INSTRUCTIONS]

Today's call is presented by Mr. Michael J. Mahoney, President and CEO. Following Mr. Mahoney's remarks, there will be a question and answer session. Commonwealth Telephone Enterprises requests that questioners be restricted only to members of the institutional investment community.

As a reminder, this call is being recorded.

I would now like to introduce your moderator for today's conference, Mr. David Weselcouch. Please go ahead, sir.

David Weselcouch - *Commonwealth Telephone Enterprises, Inc. - SVP of IR and Corporate Communications*

Thank you, Meredith.

Good morning. I'm David Weselcouch, Senior Vice President of Investor Relations for Commonwealth Telephone Enterprises, and I'd like to welcome you to our 2006 third quarter results conference call.

With me this morning are Mike Mahoney, CTE's President and Chief Executive Officer; Eileen O'Neill Odum, Executive Vice President and Chief Operating Officer; and Don Cawley, Executive Vice President and Chief Accounting Officer.

The format for today's call will be as follows. First, Mike Mahoney will comment on our third quarter performance, our capitalization, and the status of various regulatory filings in connection with our transaction with Citizens Communications. Then, Don Cawley will comment specifically on our third quarter EPS results. Following Don, Eileen Odum will review our access line results and

Nov. 07, 2006 / 9:00AM, CTCO - Q3-2006 Commonwealth Telephone Enterprises, Inc. Earnings Conference Call

DSL performance, as well as our revenue results in the quarter. After that, Mike will return to review our 2006 guidance. And finally, we'll open the call up to your questions. This morning's call is scheduled to conclude at around 9:30.

Before I turn the call over to Mike, let me briefly state our Safe Harbor disclaimer. The Private Securities Litigation Reform Act of 1995 provides a Safe Harbor for forward-looking statements. Certain information that will be discussed on this conference call is forward-looking. Such forward-looking information involves important risks and uncertainties that could significantly affect results expressed in any forward-looking statements made in this conference call. For a discussion of these risks and uncertainties, I refer you to this morning's earnings release and our previous Securities and Exchange Commission filings.

At this time, I'd like to turn the call over to our President and CEO, Mike Mahoney.

Mike Mahoney - Commonwealth Telephone Enterprises, Inc. - President and CEO

Thank you, David.

Good morning, everyone. I'd like to welcome those of you participating on this call via teleconference, as well as those of you joining us via our live Internet broadcast.

Our earnings release was distributed on the National Wire, FirstCall, and via our email distribution list this morning. Hopefully, you've had a chance to review it.

I am pleased to report to you that we have completed another solid quarter. As you know, we reported diluted earnings per share of \$0.72, which included certain non-operating items which Don will review in a moment. After adjusting for the \$0.06 per share net favorable effect of these items, our third quarter diluted EPS was above the high end of our previous guidance, and the FirstCall mean of \$0.62.

Our positive third quarter EPS performance resulted from strong performance at Commonwealth Telephone Company, lower than expected corporate expenses, depreciation and amortization expense, and slightly lower than anticipated net interest expense. Don will discuss the comparison of our EPS performance against last year's third quarter in a moment.

The important messages regarding our third quarter are as follows. First, we continue to produce steady and consistent overall operational and financial results, on track with our plans for the quarter and the year.

Second, we continued to achieve strong DSL results, growing our consolidated subscriber base by 57% versus last year. At Commonwealth Telephone we added a record 13,387 net new DSL subscribers over the past year, a figure that was over 55% greater than the additional line decline that CT experienced in the same period. At CTSI, we added 1,575 net new DSL subscribers, its highest 12-month total ever, reflecting a growth rate of 46%.

The third key message is that we mitigated the loss of ISP lines at CTSI by again achieving 5% growth in our general business lines. In fact, CTSI achieved its highest general business access line growth in over two years. And CTSI coupled this line growth with 6% general business revenue growth versus last year.

And finally, we continue to have a sound balance sheet and strong cash position.

As a result of our solid 2006 third quarter performance, we will be raising our '06 full-year EPS guidance today, which I will cover with you in a few minutes. Overall, we completed a good third quarter and we are well-positioned, both operationally and financially, as we move forward in the fourth quarter.

Nov. 07. 2006 / 9:00AM, CTCO - Q3 2006 Commonwealth Telephone Enterprises, Inc. Earnings Conference Call

Now, let me comment briefly on certain capitalization items, beginning with our dividend. We paid a \$0.50 per share quarterly dividend on September 29th to shareholders of record on September 15th, reflecting our decision to pay our sixth consecutive quarterly dividend in connection with our dividend plan which was announced in May of 2005. It is our intention, subject to declaration by our Board of Directors, to continue to pay our quarterly dividend up to the closing of our September 18th announced transaction with Citizens Communications Company.

I'd like to comment briefly on our cash position and our balance sheet strength. We ended the third quarter with \$108 million of cash. Our debt of \$335 million, net of this \$108 million of cash, was \$227 million at the end of the third quarter. And as a result, our leverage remained modest at quarter end, and we continue to be in a strong and flexible position in terms of our cash and our balance sheet.

Finally, let me take a moment to update you with regard to the regulatory and shareholder approvals that we are seeking in connection with our pending acquisition by Citizens Communications.

As you know, the transaction was announced on September 18th. We made our Hart-Scott-Rodino, FCC, and Pennsylvania PUC filings with the appropriate regulatory agencies on September 29th. On October 6th we received notification that the Federal Trade Commission had granted early termination of the HSR waiting period.

With regard to the status of our FCC and PA PUC filings, we are making good progress on all fronts and, subject to shareholder approval, continue to expect that the transaction will close in mid-2007.

With regard to CTE shareholder approval of our transaction, we are close to filing with the SEC our proxy statement to be sent to our shareholders in connection with our shareholder meeting to consider approving our acquisition by Citizens. Since the timing of the SEC review cannot be predicted, we are unable to estimate when we will mail proxies to our shareholders and schedule the CTE shareholder meeting for consideration of our transaction.

I'll be back to review our 2006 guidance in a few minutes. At this time, I'll turn the call over to Don for some brief comments regarding our third quarter EPS performance. Don?

Don Cawley - Commonwealth Telephone Enterprises, Inc. - EVP, CAO and Principal Financial Officer

Thanks, Mike.

This morning I'll briefly review our reported earnings per share in the third quarter, versus last year's reported third quarter earnings per share.

As you know from our earnings release this morning, our 2006 third quarter reported diluted earnings per share was \$0.72. This third quarter reported diluted earnings per share figure of \$0.72 compares to a reported diluted earnings per share figure of \$0.62 in the 2005 third quarter. Let me take a moment to provide some insight into these reported EPS figures.

First, included in the 2006 third quarter reported diluted earnings per share figure of \$0.72 is a \$0.15 favorable effect resulting from a July 8th, 2006 change in the Commonwealth of Pennsylvania tax law. You may recall that I alerted you to this item on our last call. The change primarily increased the annual allowable net operating loss deduction. This non-cash item was recorded on the Provision for Income Taxes line of our consolidated statement of operations.

We also reported an \$0.08 unfavorable EPS effect in the third quarter resulted to advisory, legal and other fees in connection with the September 18th 2006 announcement of CTE's agreement to be acquired by Citizens Communications Company. These cash expenses were recorded on a separate line entitled Strategic Alternatives on our consolidated statement of operations.

Nov. 07, 2006 / 9:00AM, CTCO - Q3 2006 Commonwealth Telephone Enterprises, Inc. Earnings Conference Call

And lastly, our 2006 third quarter EPS results also reflected additional shares in the diluted earnings per share calculation due to the conversion rate adjustments made under our convertible notes in connection with our dividend strategy.

Our 2006 third quarter average fully diluted common share count includes an additional 0.4 million shares in connection with the payment of our dividends and their effect on our convertible debt versus the end of last year's third quarter. These additional shares had a \$0.01 unfavorable impact on CTE's 2006 third quarter reported diluted earnings per share.

Our 2005 third quarter reported diluted earnings per share of \$0.62 included a net favorable \$0.02 effect due to certain access revenue and network cost settlements that were reflected in CTSI's results. When you take these items into account, the year-over-year EPS comparison between third quarter '06 and third quarter '05 would have been \$0.66 versus \$0.60, reflecting a 10% growth rate.

At this time, I'll turn the call over to Eileen to review operational results for the quarter.

Eileen Odum - *Commonwealth Telephone Enterprises, Inc. - EVP and COO*

Thank you, Don.

I will review our consolidated access line results, DSL performance, and consolidated revenues in the quarter.

We ended the 2006 third quarter with a consolidated total of 451,182 access lines in service. This reflects a net reduction of 12,309 access lines over the past year, or a 3% decline. Over the same period, we added a record 14,962 net new consolidated DSL subscribers, including outstanding third quarter results for our broadband DSL product.

On a consolidated basis, we added 3,973 net subscribers in the quarter, and ended the third quarter with 41,099 DSL subscribers, a growth rate of 57% versus the end of last year's third quarter. Demand for our DSL offering continues to be excellent.

Within our Commonwealth Telephone footprint, the percentage of households and business establishments that are DSL capable, and within the technology distance limitation, was 88% at the end of the third quarter.

Our penetration of CT's DSL addressable market grew to 22% at the end of the third quarter. Our ongoing DSL marketing initiatives and network investments position CTE to capitalize on the growing requests for broadband services in our territory as we continue to stay ahead of the strong marketplace demand.

At Commonwealth Telephone Company, access line activity in the quarter was generally consistent with our expectations. CT's access lines were down just over 4% when compared to the end of the year ago quarter, driven primarily by erosion of our additional line base.

While we are pleased with our ongoing broadband success, it has the expected cannibalizing effect on our residential additional line base, and on our epix dial-up subscriber base, as customers moved to fast internet access.

We're pleased to report that our net DSL subscriber gain at CT in the third quarter was over 55% greater than the additional line loss we experienced. At CT over the past year, we added a record 13,387 net new DSL subscribers, while over the same period CT's additional line base declined by just over 8,600 lines.

It's important to note that our primary residential lines declined 2% since the end of the 2005 third quarter, indicative of the fact that we continue to experience modest primary access line loss to either wireless substitutions or Voice over IP offerings.

Nov: 07: 2006 / 9:00AM, CTCO - Q3 2006 Commonwealth Telephone Enterprises, Inc. Earnings Conference Call

Our residential additional line penetration rate was 31% at the end of the third quarter, down from 35% in the year ago quarter, and just below the 32% we reported to you in the 2006 first and second quarters.

As we experience ongoing migration from access lines to broadband connections, we remain highly focused on capturing our customers' fast internet access business, on revenue generation, and on overall financial performance at Commonwealth Telephone.

As reported in our earnings release this morning, CTSI's access lines at the end of the quarter grew 2% versus 2005 third quarter. The increase resulted from a solid 5% growth in general business lines over the past year, partially offset by a reduction in the number of lines in service to our ISP customer base.

Over the past four quarters, CTSI's ISP customer access line base declined by slightly less than 2,650 lines as the dial-up ISP business continues to wane. As a result of this trend, CTSI's business exposure to the ISP segment is diminishing over time. At CTSI, we remain focused on profitably retaining and building our base of non-ISP general business customers.

As for DSL at CTSI, CTSI had 4,997 DSL subscribers in service at the end of the 2006 third quarter, which reflected a growth rate of 46% versus the end of last year's third quarter. At the end of the quarter, CTSI's penetration of broadband addressable business establishments and households was 18%, up from 12% at the end of the year-ago quarter.

Turning to our revenue performance, we reported a consolidated revenue decline of less than 1% in the quarter versus last year's third quarter. However, when you adjust for the access revenue settlements included in CTSI's 2005 third quarter reported results, we achieved slightly positive consolidated revenue growth versus last year.

At CT, revenues grew slightly less than 1% in the quarter, driven primarily by increased local revenues in connection with the two rate increases we implemented since September 2005, and our strong DSL performance. At CTSI, after adjusting for the access revenue settlements, quarter over prior year same quarter revenues were down about 1% due substantially to lower revenues from our declining ISP customer base.

On a positive note, after adjusting for the access revenue settlements, CTSI's general business customer revenues grew nearly 6% versus a year ago, driven by the 5% access line growth and strong data revenue growth.

Our other segment, which include Commonwealth Communications and epix Internet Services, saw a revenue increase of 4% in the quarter versus last year. These operations together account for about 5% of our consolidated revenues.

In summary, our overall revenues in the quarter were on target, driven by CTE's performance and by CTSI's general business customers segment, with the expected offset from the decline in ISP revenues at CTSI.

I thank you and turn the call back to Mike.

Mike Mahoney - Commonwealth Telephone Enterprises, Inc. - President and CEO

Thanks, Eileen.

I will now update our 2006 year-end guidance. As you know from the earnings release this morning, we've provided a comparison of the 2006 consolidated guidance we issued on August 8th versus our updated guidance as of today. Today we are raising our operating income guidance slightly, in part to reflect lower than previously anticipated depreciation and amortization expense for the full year. Accordingly, our previous operating income guidance of \$109 to \$111 million is being raised to a new range of \$111 to \$113 million. Correspondingly, we are lowering our previous depreciation and amortization expense guidance of \$45 to \$46 million to a revised range of \$43 to \$44 million.

Nov. 07, 2006 / 9:00AM, CTCO - Q3 2006 Commonwealth Telephone Enterprises, Inc. Earnings Conference Call

We are also lowering our reported full-year effective tax rate guidance to a revised range of 36% to 37% to reflect the favorable effect of the Commonwealth of Pennsylvania tax law change. However, it is important to note that we anticipate that our fourth quarter reported effective tax rate will come in within our previously communicated range of 38% to 39%.

We are introducing our fourth quarter EPS guidance today, and expect diluted earnings per share to be in the range of \$0.62 to \$0.64. And as I mentioned earlier, we are also raising our '06 full-year EPS guidance today, primarily to reflect our third quarter reported results, and we now expect our '06 full-year reported diluted earnings per share to be in the range of \$3.14 to \$3.16.

And please note that the 2006 fourth quarter and full-year EPS guidance does not reflect any conversion of notes or additional costs associated with our pending transaction with Citizens. However, our EPS guidance does include the effect on our convertible debt of an anticipated 2006 fourth quarter dividend subject to declaration by CTE's Board of Directors.

So to summarize, let me reiterate that I am pleased with the results CTE achieved in the third quarter. I look forward to continued successful execution of our plans as our fourth quarter progresses, and we remain confident with regard to achieving our guidance.

At this point, we will open the call up to your questions. I ask that you please provide your name and company affiliation at the outset of the question.

I'd like to ask our conference call moderator, Meredith, to review the procedures for the question-and-answer session. Meredith?

QUESTIONS AND ANSWERS

Operator

[OPERATOR INSTRUCTIONS.] Jonathan Chaplin with J.P. Morgan.

Jonathan Chaplin - J.P.Morgan - Analyst

Guys, great results. Just a quick question on access lines in DSL within the CT market. It looks like the majority of the line -- the acceleration of line loss came from second lines, and that primary lines were -- the losses were fairly consistent with where they were last quarter. I'm wondering if you could give us a quick update on the competitive dynamics? How much of it is to wireless substitution versus cable competition, and what you're seeing in terms of cable competition entering the market?

And then on DSL, the increase in net adds sequentially was impressive. I'm just wondering if you could give us some more detail in terms of what the driver was on the DSL front. That would be great. Thanks.

Mike Mahoney - Commonwealth Telephone Enterprises, Inc. - President and CEO

Okay, Jonathan, I'm going to take the first part and let Eileen talk to you about the net gain in DSL, since most of the efforts are driven by her team.

With respect to the primaries, you're exactly right. The primary line loss is fairly consistent with where we've been all year. We have not seen any uptick in competition from the cable industry in our service territory. We continue to think that the -- believe, rather, that the primary driver of our line loss is wireless, with some little of Voice over IP in some of our markets. But, we've not seen any real change in the competitive dynamic and that's why we think the results have been consistent.

Nov. 07. 2006 / 9:00AM, CTCO - Q3 2006 Commonwealth Telephone Enterprises, Inc. Earnings Conference Call

Jonathan Chaplin - *J.P.Morgan - Analyst*

How many of your access lines have cable VoIP competition today?

Mike Mahoney - *Commonwealth Telephone Enterprises, Inc. - President and CEO*

I don't think we know that number, actually, to quantify. We think it's very small.

Eileen Odum - *Commonwealth Telephone Enterprises, Inc. - EVP and COO*

We only -- yes. This is Eileen. We only have one cable provider that offers voice services today. And they're really doing very little marketing. And it's a small part of our serving territory. None of the other cable providers currently provide a voice offering. So, VoIP would be coming in, as you would know, through the third parties, not directly by a cable provider.

Regarding DSL and the growth, we've been consistently throughout the last 2.5 years adding service territories within the Commonwealth Telephone footprint, making very consistent investments in our network to ensure that we have the broadest reach possible. We've also this year started our Chapter 30 related broadband build-out to the last edge areas of our network, where we have had households beyond the distance limitation. So, we've gotten some additional growth in that area.

We also in August introduced a 3 meg offering to limited sections of the Commonwealth Telephone network and we've gotten a very good response there, both from customers who've upgraded from 1.5 to 3 meg, as well as from some new customers. We've been pleased with the marketing success we've had in our last two campaigns, where we've been of course leading with our bundles, and had very positive results from those efforts. So, so far so good.

Operator

[OPERATOR INSTRUCTIONS.] Simon Flannery with Morgan Stanley.

Simon Flannery - *Morgan Stanley - Analyst*

Thank you. Good morning. Century Tel on their call talked a little bit about some regulatory adjustments that would benefit 2007 earnings. I was wondering if you had any visibility into any material changes in your regulatory -- or access revenues over the next 12 months that you can share with us at this point?

And also, capital spending remains within your guidance range. Are there any big buckets there that are changing that will either go away next year or new projects that might be additional next year? And if you can update us on long distance penetration and revenues. Thanks.

Mike Mahoney - *Commonwealth Telephone Enterprises, Inc. - President and CEO*

Sure, Simon. First of all, with respect to favorable regulatory rulings that would positively impact our access revenues in '07, no, I'm not aware of any rulings of that nature. I don't know what Century referred to on their call, but we're not experiencing anything like that.

In terms of our capital expenditure expectations for '07, they're still in line with our previous discussions. We have, as we've seen in '06, we're seeing a shift in our capital expenditures to be more data, DSL related as we try to match plant with demand and we expect that to continue. But, the trend in terms of absolute capital dollars will be consistent with where we are.

Nov. 07. 2006 / 9:00AM, CTCO - Q3 2006 Commonwealth Telephone Enterprises, Inc. Earnings Conference Call

And with respect to long distance trends, I'm going to ask Eileen to comment on that.

Eileen Odum - *Commonwealth Telephone Enterprises, Inc. - EVP and COO*

Simon, at the end of the quarter for Commonwealth Telephone, our penetration for our long distance was 53% of our residential subscribers, households, and 33% of our business for a total of about 51%. And at CTSI, we have a much higher penetration because of our strategies there in terms of bundling and our overall penetration to our customers at CTSI at third quarter was 92%. So, we've continued to experience good growth quarter-over-quarter and certainly year-over-year in terms of our LD offering.

Operator

That concludes our question and answer session. I will now like to turn the call back to Mr. Mahoney. Please go ahead, sir.

Mike Mahoney - *Commonwealth Telephone Enterprises, Inc. - President and CEO*

Thank you, Meredith.

I just want to thank all of you for participating on the call today and for your continued interest in CTE. I look forward to reporting on our progress following the conclusion of our fourth quarter. Thanks for your time this morning and have a good day.

Operator

Ladies and gentlemen, that conclude today's conference call. Thank you for your participation. As a reminder, this call will be archived for 48 hours. Have a good day. You may disconnect at this time.

DISCLAIMER

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2006, Thomson Financial. All Rights Reserved.

Exhibit D

FINAL TRANSCRIPT

Thomson StreetEvents™

CZN - Citizens Communications Co. Merger & Acquisition Announcement

Event Date/Time: Sep. 18. 2006 / 9:00AM ET

THOMSON

www.streetevents.com

[Contact Us](#)

Sep 18 2006 / 9:00AM, CZN - Citizens Communications Co. Merger & Acquisition Announcement

CORPORATE PARTICIPANTS

Don Armour

Citizens Communications - VP Finance and Treasurer

Maggie Wilderotter

Citizens Communications - Chairman, CEO

Don Shasslan

Citizens Communications - CFO

CONFERENCE CALL PARTICIPANTS

Simon Flannery

Morgan Stanley - Analyst

Frank Louthan

Raymond James - Analyst

Chris King

Steeple Nicholas - Analyst

Tom Sykes

Lehman Brothers - Analyst

Jason Armstrong

Goldman Sachs - Analyst

Phil Olson

UBS - Analyst

Anna Goshko

Banc of America Securities - Analyst

Jonathan Chaplin

JPMorgan - Analyst

Thomas Egan

JP Morgan - Analyst

Dean Asofti

Credit Suisse - Analyst

Boyd Eichner

BNT Paramount - Analyst

Demetri Triandifilia

Wachovia - Analyst

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Citizens Communications Company Conference Call. At this time, all participants have been placed in a listen-only mode. The floor will be open for your questions following the presentation.

Now I'd like to turn the call to Don Armour, Vice President, Finance and Treasurer at Citizens Communications.

Sep. 18. 2006 / 9:00AM, CZN - Citizens Communications Co. Merger & Acquisition Announcement

Don Armour - *Citizens Communications - VP Finance and Treasurer*

Thank you [Jessica]. Good morning and thank you for joining us to discuss Citizens Communications acquisition of Commonwealth Enterprises. Hosting the call today will be Maggie Wilderotter, our Chairman and Chief Executive Officer, and Don Shassian, Chief Financial Officer.

During this call, we will be making certain forward-looking statements, particularly on matters relating to the acquisition and 2006 guidance. Please review the Safe Harbor language found in our press release, Investor presentation, and SEC filings.

Now I'll turn the call over to Maggie.

Maggie Wilderotter - *Citizens Communications - Chairman, CEO*

Thank you Don, and good morning everyone. We appreciate you joining us this morning. All of us at Citizens are very excited about the announcement we made today to acquire Commonwealth Telephone Enterprises.

I thought it would be good for me to start with the strategic rationale as to why this deal makes sense for us, so if you'd like to follow along on the webcast, I'm turn now to slide number 4. If you think about this transaction, first and foremost it gives us expansion in to rural markets, which is definitely our sweet spot with revenue upside opportunities.

In addition, it's free cash flow accretive in year 1, and there are substantial synergies that will be realized. And then last, and certainly not least, it maintains our strong balance sheet keeping our dividend intact, and also improving our payout ratio. If you think about the payout ratio guidance we've been giving, we've been saying when we become a full tax payer in 2009, our payout ration would be around 75%. With this transaction, that would bring that number down in 2009 to a little under 70%.

On page 5, we have listed the acquisition criteria we use as a Company when evaluating strategic opportunities. First and foremost, our rural profile, I think Commonwealth fits that quite well for us. They also have very fragmented cable competition. There are 20 cable operations that operate throughout their markets.

It's very attractive demographics; we've looked at the customer demographics and the business demographics in this market area, and the income growth there is comparable to national averages.

Very quality assets; Mike Mahoney and his team have done a great job of keeping their infrastructure current with an excellent quality of service.

There is also upside for organic growth and considerable opportunities that I'm going to talk a little bit more about, and we can leverage our scale economies into those markets. We believe that there'll be at least \$30 million in annual savings through those synergies. The deal, as I mentioned is free cash flow accretive in the first year, and of course, it improves our dividend payout ratio.

Moving on to slide 6 just gives you a sense for Citizens' current operations; as you can see through the end of the second quarter, we operate in 23 states, with a little over 2.1 access lines. We have 350,000 high-speed Internet customers, 5,434 employees; we cover quite a large territory, and we have access lines per square mile at 16.

We do operate as 4 regional organizations; the West, Central, East, and then Rochester also operates as a stand-alone region.

Looking to page 7; this gives you a sense of the Pennsylvania operations that Commonwealth has as well as the couple of markets that we already have in Pennsylvania. Just to let you know, we do have several markets; the largest markets for us where we operate are New Holland and Leola, so we are used to doing business in Pennsylvania, and have done business there for a long time.

Sep. 18. 2006 / 9:00AM, CZN - Citizens Communications Co. Merger & Acquisition Announcement

Commonwealth's profile, again they have 454,000 access lines, 37,000 high-speed Internet customers, a little over 1,000 employees, and their primary access lines per square mile is at 52.

I did want to mention that in addition to the telephone service they offer in Pennsylvania, they've also been operating a CLEC as an edge-out strategy. We sort of look at this CLEC as really an extension of the ILEC business. It's a way for them to actually have contiguous operations for businesses to their current ILEC footprint, and it also gives them a sense to have businesses in their footprint have reached into some of the major cities in Pennsylvania.

But the CLEC is a very small part of the Commonwealth footprint. It only represents about 28% of their total revenues, and 16% of their EBITDA. And when you think about combining Commonwealth with Citizens, those numbers change dramatically where the CLEC would only be about 4% of combined Company revenue and a little bit less than 2% of total EBITDA.

If you move on to the next page, on page 8, I thought I would give you a sense of some of the revenue upside that we really see taking place once this transaction is completed. If you look at the first chart on the left-hand side, were showing the annualized ILEC revenue per access line. Commonwealth's today is \$852 per line, and at Citizens we're operating at about \$873. These numbers both exclude directory so we could give you an apples-to-apples comparison.

If you go over to the right-hand side, you can see the high-speed Internet penetration. Commonwealth is today at about 12%; Citizens is at 16%. Long-distance penetration on the bottom left-hand side, Commonwealth is at 34% penetration, where Citizens is at 64% penetration.

And then finally, if you go over to the bottom right-hand side in looking at the Q2 bundles penetration, and when you think about bundles, we're really looking at packages that are really local features and long-distance combined, Commonwealth is at 8% and Citizens for that same package is at 18%. So basically we see that there is a lot of upside the current market of Commonwealth to really drive penetration in market share of the lead products of that they already have in the market.

Moving on to slide 9, some of the strategies that we have for this property would be to re-brand the entire operations to Frontier as soon as possible. We believe with single brand, we can increase visibility. We will be providing customer focus revenue generating solutions throughout the market as well to continue to drive the product penetration as I just talked about. But we also think that there's great efficiency in value in offering bundled services offerings, whether it's double plays or triple plays.

We will also introduce customer contracts. Today, Commonwealth does not have any of their customers, even on bundles, with contractual commitments. Citizens has over 35% of our customer base already on either 1 or 2-year contracts, and we are aggressively driving that number up higher. And we believe that by putting contracts in place with some of the great offers that we have for customers we'll be able to reduce churn and enhance loyalty.

We will also be introducing some of the enhanced value-added products that we have throughout Citizens' footprint today, including our Ask.com co-branded portal, our wireless modem for every high-speed Internet installation we do today, we offer a wireless modem to the customer, and the customer actually pays us a monthly fee somewhere between \$3 and \$5, depending on the bundled offer that they take.

We will be introducing ESPN 360 to add more value to our high-speed Internet product, just like we have throughout Citizens, and last but certainly not least our Frontier secure connection, which is our anti-spyware, anti-virus software package that is also free to our bundled service customers with high-speed Internet.

We believe that the Pennsylvania properties for Commonwealth, once they're part of Citizens will also enjoy what we call our National Campaign Air Cover, where we'll be putting campaigns and promotions in place nationwide, and they'll have the opportunity to also take advantage of that.

Sep. 18, 2006 / 9:00AM, CZN - Citizens Communications Co. Merger & Acquisition Announcement

Last but not least, we will continue to support the CLED edge-up strategy; we will integrate marketing in order to get economies to scale there. We will continue to use the direct sales team currently in place in Commonwealth, but we will also combine the management and the operations of that CLEC with the ILEC again for economy to scale.

With that, I'd like to turn this over to Don Shassian and to take you through those financial parts of the deal.

Don Shassian - Citizens Communications - CFO

Thank you Maggie, and good morning everyone. On slide 10, let me walk through the highlights in the transaction. A value each Commonwealth shareholder will receive for each share, a unit comprised of cash and stock at our closing price on Friday would equate to \$41.72. They'll be receiving \$31.31 in cash and shares, a fixed exchange ratio .768. As of Friday, the value for that is \$10.41. Total transaction value of \$1.16 billion; I will walk you through how we get to that calculation in a few minutes.

The price represents a premium to Commonwealth stock as of Friday of about 8% and about 17% when compared to where their price was prior to their announcement of hiring an advisor to pursue strategic opportunities. The multiple is 6.76 times EBITDA; I will again walk you through that in a few minutes as well, without synergies. Including synergies, it's about 5.75 times. Their shareholders will own about 6% of the combined enterprise. The transaction is taxable. Our financing, this transaction does not have any financing contingency. We have a bridge facility from Citigroup for \$990 million. That gives the seller confidence in our ability to finance. The bridge also gives us flexibility on when we go to the public debt markets.

Approvals; Commonwealth needs to go to their shareholders, which we hope will be in December or January timeframe. We need standard approvals from the Federal Communications Commission, HSR, and the Pennsylvania State PUC. The last one, obviously, is a longer timeframe, and we expect closing to be in mid-2007.

On slide 11, this simply lays out the sources and uses assuming the purchase price at \$41.72, as I mentioned, and there is common stock outstanding that needs to be exchanged for the cash in stock. There is a cash-out of the employee shares. They do have a convertible bond, which we will be able to convert and we expect the holders to convert in cash and stock. There is a small amount of debt they have with one Banco Bank, and then we have some year-1 integration costs, transaction fees, some other items. And we'll be financing that with the issuance of equity, at the bottom, about 20.5 million shares; 16 million of those are on the common, but 4.5 million are on the convert. The debt issuance of \$990 million, and there is some after-tax patronage dividends from the small bank loan they have to cover the total sources, and there's some cash on the balance sheet that Commonwealth has and will be utilizing as well.

If you go to page 12, as Maggie mentioned this is a strategic acquisition; we view it as an extension acquisition.

This slide shows on the left-hand side the proportion of Commonwealth lines to ours. On a pro forma basis, we'll have lines about 2.6 million; Commonwealth lines will represent 17%. On the right-hand side, using these last 12-months' revenue, pro forma basis about \$2.4 billion in revenue and Commonwealth will represent approximately 14%.

Going to slide 13, the synergies; there are 3 main components on this slide. The top half is we're looking at annual cash synergies of \$30 million; identifying corporate overhead and support functions, there's a number of third-party costs. These are all in the duplication effort when you look at combining these 2 enterprises.

There's also the opportunity to leverage our common systems that we have here that are leverageable in IT; software license, billing, a number of different areas in our operation of third-party operating fees. The \$30 million we feel we'll be able to achieve about a third over 3 years, or potentially earlier. We feel very comfortable based on our detailed due diligence that we performed by our personnel, who will be responsible for the implementation, these cash savings are real, and they will be achieved.

Sep. 18. 2006 / 9:00AM, CZN - Citizens Communications Co. Merger & Acquisition Announcement

The second on this page is a non-cash compensation cost. It's important to point out in Commonwealth's reported earnings, they have non-cash compensation costs in EBITDA of about \$10 million, identifying the expense on the issuance of restricted stock, stock option expense as well as some amortization of expense from the special dividend in 2005. That is an item that you'll see on top of the \$30 million; you'll see as we go forward as to how we analyze their business; I'll cover that in a couple of slides, but it's an important item for you to notice.

Last on the page, the 1-time integration cost we're estimating at \$35 million primarily in severance; IT conversion costs this represents approximately a 1-year payback and we feel very comfortable in our ability to achieve the savings and the implementation costs.

On slide 14, this is a snapshot and it is, if I could use the term, an add-up between the 2; it is before synergies. The left-hand side are our numbers as of June 30; the middle column is Commonwealth as of June 30; and simply add them up if you would to get the pro forma without synergies. You can see the axis lines; the last 12 months of revenue, the EBITDA, our CapEx and theirs, our free cash flow guidance and theirs. And the important aspect on the free cash flow is accretive obviously with dollar amounts, but if you look at the shareholders, the number of shares outstanding, it is also free cash flow accretive per share in year 1 without synergies. Putting the synergies on top makes it even stronger for us.

Our implied dividend ratio without synergies improves; obviously, with synergies improves even more so, and we're taking on the additional debt, you can see that our leverage goes from 3.2 only up slightly to 3.5, but still puts our balance sheet in a position that we feel very comfortable with as we've communicated in the past. We like having solid balance sheet and caring for all of our stakeholders. And we think that's quite reasonable.

We have contacted and have had discussions with the rating agencies last night. They are obviously evaluating our information that we have sent them, and we look forward to having continuing discussions with them.

On page 15, this is simply to go back to some of the comments earlier; I want to walk you through how we come up with the calculation of \$1.158 billion, at the top laid out the equity value and the convertible and other debt, and you'll those numbers tied to the earlier part of this presentation. How we get to the 6.7 6-times without the synergies at the bottom is taking management's guidance on EBITDA of 157, adding back the non-cash compensation expense of 9.8, and then also adding in something that they have recorded below the line of EBITDA. Their directory operation is a joint venture; they account for it on an equity basis of income, so the equity income is recorded below EBITDA. There are some other fees in connection with directories operation also below EBITDA, all cash; we've reflected those above because just for a comparable basis, but it is cash. So we're putting them above to get to an adjusted number of 171, and then if you put the cash synergies on top to get you 201, and that's the basis for the calculation that we used to come to the 6.76 calculation.

Slide 16; well, just a couple of other pieces of financial information wanted to cover. Our guidance for this year, I'm simply confirming our pre-cash flow guidance of \$525 million is still intact. Looking at that, our capital expenditures also 270 to 280; we have the announced \$300 million share repurchase plan that we had been pursuing. We had \$135 million of that completed as of June 30. As a result of our performing our due diligence on this transaction and now announcing it, we are prohibited from repurchasing our shares until we close. So we are on a hiatus on a share repurchase program; however, we will be going back to complete that once this transaction is complete so you would anticipate seeing that our cash balances will be increasing over the next several months as we continue to hold that and we'll execute at the final closing.

Lastly, our \$150 debt reduction plan that we had authorized, we are going to look at that in connection with our transaction financing and we will continue to pursue that in that mix.

With that, let me pass back to Maggie.

Sep. 18. 2006 / 9:00AM, CZN - Citizens Communications Co. Merger & Acquisition Announcement

Maggie Wilderotter - *Citizens Communications - Chairman, CEO*

Thanks Don; so basically, on slide 18, which is just a summary I wanted to take this back up a level to an overall Citizens Communications focus. We continue to be in a strong competitive position, and we do believe that this investment in Commonwealth strengthens that we are customer focused; we have very high satisfaction in our markets and have said so today, and we have strong product penetrations that we think we can leverage into these markets.

Our management team delivers results. We are consistent in our performance, and we also have a lot of depth in our bench strength here at Citizens. I'll give you a good example; we will be managing this business by promoting one of our Vice Presidents, Ken, to move down to Pennsylvania to run the combined Citizens and Commonwealth properties. Ken is a veteran with Citizens; actually he used to work for Commonwealth many years and grew up in Pennsylvania, and he has run our Tennessee properties, and is currently running all of sales and marketing for our East Region. So it's great to have that type of capability in order to manage this property in the long-run internally. We will also have John Lass, who is our Senior VP and GM of the Central Region have overall responsibility for Pennsylvania in addition to the other states that he manages.

We've demonstrated our ability to deliver and sell products and services; we have been consistent in 2005 with product growth year-over-year; also the same thing through the second quarter of this year, and we have an ability to integrate new properties. We've done many acquisitions in the past, and we actually have the same integration leadership in lead teams here in the Company, so we feel very comfortable that the integration of Commonwealth into Citizens will go smoothly, and we will get the expected synergies. Jake Casey, who's our Executive Vice President, will be leading the integration team; Jake has led many acquisition integrations for Citizens in the past.

Last but not least, we will focus on shareholder value, as we've always done. The free cash flow accretion, even without synergies, was important to know that we were creating value immediately in this transaction. We will maintain and improve our payout ratio through this transaction. We are also not leveraging up in order to do that, so we're staying at a moderate leverage environment, so we have a strong balance sheet that also provides us with financial flexibility in the long run, and we believe through the bench strength and the capabilities that we have as a Company to perform that we also have the operational acumen to handle this transaction, and to integrate it into our business.

So with that, I'm going to turn this back over for questions and answers.

QUESTIONS AND ANSWERS

Operator

[OPERATOR INSTRUCTIONS].

Simon Flannery, Morgan Stanley.

Simon Flannery - *Morgan Stanley - Analyst*

Okay, thank you, good morning; I wonder Maggie if you could just give us a little bit of the background to the deal. You've obviously been, for a couple of years now, following the return of cost to shareholders through the dividend and the buyback. What happened here? Did Commonwealth approach you? Had you been looking at a number of acquisitions and this came up? Could you give us the background?

And also, how you thought about giving cash versus giving what is the various puts and takes there?

Sep. 18. 2006 / 9:00AM, CZN - Citizens Communications Co. Merger & Acquisition Announcement

And on the leverage Don, 3.5 is -- have you sort of communicated that that's where it's going to be over time, or would you like to get it back down to the low 3s?

Thanks a lot.

Maggie Wilderotter - *Citizens Communications - Chairman, CEO*

Hi Simon, thanks for your questions.

With regard to the overall rationale, I think as we've talked about over the last couple of years, we've really prioritized our business focus on the markets where we do business and to deliver operational execution in those markets.

But we've also said that we would be situational and opportunistic if we came across an acquisition opportunity that would fit our criteria and our profile for an acquisition, and we have a pretty high standard. In looking at Commonwealth, when Commonwealth decided that they wanted to look at some alternatives, we felt that they were the type of company that would be very strategic for us to look at seriously. As I mentioned earlier, I think that Mike Mahoney and his team have done a great job of running that business and growing that business over the years. They have strong relationships in their communities; they have a great reputation; they deliver good service. And we felt that it was a sweet spot for us to really take a look at it.

We also felt, from a value perspective because we could leverage our infrastructure and our scale, that we would be able to get some substantial synergies out of the combination. I think that overall was really the rationale. I think we would continue to always be opportunistic in looking at what happens in the industry and does it make sense for our Company and our shareholders.

The combination of cash and stock I think was really a back and forth based upon what was appropriate for us from a balance sheet perspective as well as what was appropriate for their shareholders. We consider our stock very valuable with a dollar dividend, so we felt that that provides upside for their shareholders to have some ownership in the Company, but we also had the issue of what's the right combination, and this is what worked for them and worked for us. Don?

Don Shassian - *Citizens Communications - CFO*

I'd also just add that Maggie, that our competitive bidding situation as we understood it, and the Commonwealth shareholders management I believe wanted to make sure there was cash certainty for their shareholders, but we had to balance that competitive dynamics with our view of what's important for all of our stakeholders, and we felt that the balance of 75/25 was appropriate. We were not willing to leverage up any further than that. We felt that was a good position to be in.

In terms of our leverage Simon, 3.5 we would like to be able to take it down a little bit. We think basic operations will help us do that, and as we have some maturities that are coming up over the next couple of years, we think we'll be able to get it down a little bit lower to get us back to where we're [2.33] over the next year or so. We feel that after we close, we'll have those opportunities.

Operator

Frank Louthan, Raymond James.

Frank Louthan - *Raymond James - Analyst*

Good morning; just quick of the regulations with Commonwealth's NEC-average casual regulation, give us an idea of how that will be impacted if at all with the transaction and how you'll operate that.

Sep. 18. 2006 / 9:00AM, CZN - Citizens Communications Co. Merger & Acquisition Announcement

And can you give us any idea of where most of the synergies will come from, some of the other business on their income statement a little bit of a drag; do you think you'll be getting more of the synergies from that area or more of it comes from CT or CTSI? If you can give u a little bit more color on that, that would be great. Thanks.

Don Shassian - *Citizens Communications - CFO*

Thanks Frank, good morning; we don't expect any change in their regulatory framework. They're an average-schedule company; it will not change, and we don't really see any impact whatsoever. We'll be operating this as a separate stand-alone legal entity, and we will respect the rules and regulations of Pennsylvania as well as what they're filing with the FCC. We do not see any negative impact. We're positive for that matter; I mean we just think they'll continue to operate as is on the regulatory framework.

Maggie Wilderotter - *Citizens Communications - Chairman, CEO*

Hi Frank; it's Maggie. In regard to the synergies that you brought up, I do think that in addition to the elimination of corporate overhead and the fact that Commonwealth operates as a public company today, there's a number of synergies that we can get just overall from a corporation perspective.

But we also believe that there are opportunities with some of the other businesses that they have in terms of us getting some fairly major synergies out of those entities as well that you pointed out. So those are in addition to the system synergies that we really do believe can drive through automation a number of other synergies that we could realize that is not headcount related.

Frank Louthan - *Raymond James - Analyst*

Okay great; and are you able to give us any update where you were with the buyback quarter-to-date? I know what you said as of June 30; but is there any way you could give us an update? Were you repurchasing shares up until you got involved with the transaction?

Don Shassian - *Citizens Communications - CFO*

Frank I'm not able to give you an update on that at this point in time, but we were really very, very quiet during the quarter. As I mentioned in our earnings call for Q2 we had slowed down our repurchase activity in Q2 because we wanted to make sure that the cash was in hand from Electric Light Wave, which we received the end of July. So I mean we were very, very light in the third quarter.

Frank Louthan - *Raymond James - Analyst*

Would you consider shifting any of your cash return to shareholders more onto the debt side over the next 9 months? Or do you think, you said you'll continue to buyback program once it's finished, but is there any, what criteria might change you to shift more to paying down debt and less on completing the buyback?

Don Shassian - *Citizens Communications - CFO*

I don't think we have any restrictions; we've got a lot of flexibility. We already have right now on our balance sheet in excess of \$400 million, and that will continue to grow as our operation generates cash, and we'll get back into the stock repurchase program as soon as we can.

Sep. 18. 2006 / 9:00AM, CZN - Citizens Communications Co. Merger & Acquisition Announcement

The debt repayment, we will just look at as part of our financing that we're going to do in the bond markets. As you know we do have a debt coming due in 2008. We are looking at ways of maybe refinancing, pushing some of that out, and all of that comes into the mix of how we evaluate the financing of this transaction and just continue to maintain and build upon a very strong balance sheet.

Maggie Wilderotter - *Citizens Communications - Chairman, CEO*

I'll just add that I believe that the announcements that we've made on retirement, we're going to stay the course on that in conjunction with this transaction. But we are, we still want to get back into the market share repurchases. It's a priority for us; it's a priority for the Board, and you will see us doing that once this transaction closes and we can legally get back in and start buying back stock.

Frank Louthan - *Raymond James - Analyst*

Great, that's very helpful; thanks.

Operator

Chris King, [Steeple Nicholas].

Chris King - *Steeple Nicholas - Analyst*

Good morning, and congratulations; one quick question I had goes back to your NOL carry-forward balance and how this deal may impact that, if you've had a chance to take a look at that yet. I know you were to begin some cash taxes as early as next year, and obviously become a full tax payer by 2009. Does this deal create any NOL carry forwards going into the future? Obviously, Commonwealth was full-cash tax payer.

Don Shassian - *Citizens Communications - CFO*

Good question; it really doesn't change. We have federal NOLs; we have state NOLs; we have some A&T tax credit carry forwards. There is no significant change that is occurring that both our federal NOLs will be utilized in '06 and '07 assuming a mid-2007 closing. Our tax benefits, if you would, the latter part of '07 and '08 are more on the safe side that A&T tax credit carry forwards, so they really don't impact. So there's no additional NOLs. We see the forecast staying as is. No real acceleration and no real benefits.

Operator

Tom [Sykes], Lehman Brothers.

Tom Sykes - *Lehman Brothers - Analyst*

Thanks for taking the question; how do you view the \$30 million cash synergy number that you're putting out there? Do you do that conservative, aggressive, just right? I mean I ask because it seems like \$30 million on a business that generates \$155 million in EBITDA has already 65% EBITDA margins in the ILEC and has second line penetration north of 25% seems kind of aggressive, and I wondered if you could kind of give us your, how comfortable you feel in that number.

Sep. 18, 2006 / 9:00AM; CZN - Citizens Communications Co. Merger & Acquisition Announcement

Maggie Wilderotter - *Citizens Communications - Chairman, CEO*

Tom, I feel very comfortable in that number, right? I think there might be even more upside as we get into this. We sort of look at this as kind of two-thirds wage-related and one-third systems related. And we've done some pretty good due diligence on the overall company itself, and we feel very comfortable that this number is achievable.

Don Shassian - *Citizens Communications - CFO*

And if I could add on to give you a little bit of context Tom, our due diligence was performed by not a small team within Citizens. We had all of our functional heads and their departments involved in analyzing information having discussions with Commonwealth in developing plans. So essentially right now, we almost have, we have an operating plan in place, and our functional heads have signed off on what can be achieved, and we're going to be held accountable for those, in implementing those. We feel very comfortable this is not a stretch by any stretch of the imagination. We feel very good that it's going to happen.

Tom Sykes - *Lehman Brothers - Analyst*

Okay great, thank you.

Operator

Jason Armstrong, Goldman Sachs.

Jason Armstrong - *Goldman Sachs - Analyst*

Great, thanks, good morning and congratulations. I'd like to ask one more regulatory question; maybe a bit broader and not tied specifically to the transaction. CenturyTel, another company that was viewed as a likely bidder, has recently talked about being hesitant to do any type of deal right now just because of the regulatory framework and sort of the uncertainty surrounding USF and Inter-carrier compensation reform. I was just wondering if you guys can sort of go through what makes you comfortable with this risk, and how'd you get there on the deal, especially given the ratio of cash equity that's involved here? Thanks.

Maggie Wilderotter - *Citizens Communications - Chairman, CEO*

Well I'll start, and Don you can jump in too on this. We look at the regulatory environment as an environment that affects not just what we would do with acquisitions Jason, as you know, but the overall company. We do know that there's a lot going on in Washington with USF and Inter-carrier. We don't see, actually foresee any real changes that would be negative happening in the next several years. We believe that those areas have lots of opportunity to fix, and we think that any fix would be positive. So we didn't really feel that the uncertainty around some of these national issues was going to be an issue for us.

The real regulatory issue for us is really a state PUC approval process in Pennsylvania. The good news is Commonwealth has a relationship with the PUC; they've operated in this state for a long time with a good reputation. We have as well, and we have strong relationships and have done the same, so we don't really look at this as a big regulatory risk for the Company.

Don Shassian - *Citizens Communications - CFO*

Jason, let me also just mention the, on the federal side Commonwealth does not have a tremendous amount of exposure as we see it. They are not a recipient of the federal high-cost fund, so that exposure does not exist. When we look at all the other elements that come through the federal side, and I think for Commonwealth, the Interstate Common Loop is probably a piece

Sep. 18. 2006 / 9:00AM, CZN - Citizens Communications Co. Merger & Acquisition Announcement

where they get recipient on; the dollar amount is not that significant. I think the total dollar amount you're talking about is \$16 million to \$20 million annually, but the major one, High-Cost Loop, they're not exposed to.

So we didn't see the exposure that you mentioned others see on this. We are not as concerned, and we're very bullish that this industry makes a lot of sense, and are very focused on focusing on the revenue line and working with customers and delivering the best service possible.

Jason Armstrong - *Goldman Sachs - Analyst*

Okay great, thanks.

Operator

Phil Olson, UBS .

Phil Olson - *UBS - Analyst*

Thanks; I have a couple of questions, actually 2 quick ones. Can you maybe give just a quick summary of the bridge that you obtained, specifically the kind of maturity on it, whether or not it is a secured or unsecured facility? And then secondly with respect to the ultimate financing for the transaction, how much of the \$400 plus million of cash-in-hand that you have currently would you intend to use as a purchase, and as a result how much of term do you think you'll need to issue as part of the deal? Thanks.

Don Shassian - *Citizens Communications - CFO*

Phil, the \$990 million bridge facility from Citigroup is unsecured; it is approximately 12 months from the day of closing, and we think it gives us a great deal of flexibility as to the timing of when we want to go into the public markets.

The \$990 million is a max number; we have as I mentioned earlier and you just alluded, we have a very significant amount of cash on the balance sheet. It is premature at this juncture to specifically lay out what we'll be doing at closing as we look at our business and the financing of that debt over the, at closing. And we'll obviously be considering the cash that we have on hand. But the \$990 is a max number, so it could be less, but it's difficult for me to give guidance at this point in time as we analyze what our alternatives may be. Does that help?

Phil Olson - *UBS - Analyst*

I guess just as a follow up; I think in the past you've indicated that the run rate cash balances you'd be comfortable in the \$50 million to \$75 million range. Has anything happened that would have caused you to have changed that target?

Don Shassian - *Citizens Communications - CFO*

No, I'm not sure about the \$50 to \$75; I've always said that we'd want to be north of \$100; ballpark of about \$125 million is what we feel comfortable with. That is more of an appropriate level of cash for us on a recurring basis; \$50 to \$75 is a little bit low from my standpoint.

Sep. 18, 2006 / 9:00AM, CZN - Citizens Communications Co. Merger & Acquisition Announcement

Phil Olson - UBS - Analyst

That's great; thank you.

Operator

Anna Goshko, Banc of America Securities.

Anna Goshko - Banc of America Securities - Analyst

Hi, thanks very much; just a quick follow up on the prior question. On the \$150 million of debt that was and still is to be repurchased with I think largely the proceeds from the ELI sale, is that something like your share repurchase that is now on hold until the whole transaction closes, or are you still free to go into the market and repurchase debt at this point? And if you are free, is that something that you would pursue?

Don Shassian - Citizens Communications - CFO

Anna we are free to pursue the debt, but we are really trying to analyze that. What we are planning to do in conjunction with the financings of this transactions, and also with our '08s that are coming up in the next year beyond, so we want to look at a total view of our debt portfolio and not look at it in isolation. So we answer yes, we are free to do, but we are looking at it in totality to make sure we do things that are smart for our structure and how we balance things out, and schedule our maturities over the next many years.

Anna Goshko - Banc of America Securities - Analyst

Okay, and then a second follow up on the question; I think you said that your bridge loan is unsecured. If you were to put term loan financing, do you know if that would be secured, or would that also be unsecured?

Don Shassian - Citizens Communications - CFO

Unsecured.

Anna Goshko - Banc of America Securities - Analyst

Okay great, thank you.

Operator

Jonathan Chaplin, JP Morgan.

Jonathan Chaplin - JPMorgan - Analyst

Good morning, thanks for taking the question, and congratulations on the transaction. A couple of housekeeping questions first. I missed the beginning of the call; you probably said when you expect the deal to close, but I missed that.

Sep. 18. 2006 / 9:00AM, CZN - Citizens Communications Co. Merger & Acquisition Announcement

Maggie Wilderotter - *Citizens Communications - Chairman, CEO*

It's mid-2007.

Jonathan Chaplin - *JPMorgan - Analyst*

So the synergies of a-third, a-third, a-third is that on a fully annualized basis, or do you expect to get \$10 million of synergies in 2007?

Don Shassian - *Citizens Communications - CFO*

It's really saying a-third, a-third, a-third Jonathan; it all depends on the timing of closing and also our ability to work with Commonwealth at the appropriate time before closing, and what we're able to really get moving on in the system side. And I just think from a guidance perspective at this juncture, until all of those t's are crossed and i's are dotted, one-third, one-third is an appropriate amount in the first full year and the next full year and the next full year.

Jonathan Chaplin - *JPMorgan - Analyst*

Okay, so assuming you close in mid-'07, just so I understand the guidance correctly, what you're saying is you get \$5 million in synergies in 2007.

Don Shassian - *Citizens Communications - CFO*

It certainly could be more than that, but it really depends on the success of the transition activities.

Jonathan Chaplin - *JPMorgan - Analyst*

Okay, and then quickly on the synergies; I know this has come up a couple of times already; I'm sorry to harp on about it, but the, if I look at the synergies as a percentage of the target's SG&A, it seems to be around 50%, which is a lot higher than we've seen for transaction, for ILEC transactions in the past. I'm just wondering if there is anything unusual about this particular transaction or the cost structure which allows you to get a greater percentage of synergies at the center of SG&A.

Don Shassian - *Citizens Communications - CFO*

As I've looked at them Jonathan I don't see what we're coming up with as being disproportionate than the synergies that have been announced on other transactions. We may be using different calculations, but as we've done it, and I can chat offline, we feel it's very comfortable. There is nothing that's unusual here. In this industry, there are 3 buckets of costs; there are field costs, which is the people that are out in the field delivering service day to customers in terms of insulation and dealing with troubles in construction; and then there are common costs across the infrastructure that are you have IT systems, you have various call centers, repair centers, network centers, and many of those costs you can look at and potentially find ways of leveraging some of your own capabilities, different technologies, etc.

And then the third bucket is what I call corporate governance, a cost which in a transaction like this also is very heavily weighted where you should be able to look at those as purely duplications.

So we actually do not see that the number that we're quoting here as disproportionate at all, and the bankers we've utilized to look at analyses of all the other transactions we think it's very much in line with other transactions.

Sep. 18. 2006 / 9:00AM, CZN - Citizens Communications Co. Merger & Acquisition Announcement

Maggie Wilderotter - *Citizens Communications - Chairman, CEO*

I would also add that if you think about our business today, we have over 40% of our costs today are really fixed costs that can be leveraged across multiple markets. And about 60% of the costs are variable and a lot of them have to do with the field level. And as Don said, if you just really look at how Commonwealth is set up today, there are a number of costs that are very easy for us to take out based upon the fixed cost structure we already have in place.

We have done a fairly deep analysis from an operating plan on how we would run these markets, how we would manage them and how we would integrate them. So I think that we do have the capability and we do have the path to get to the \$30 million.

Jonathan Chaplin - *JPMorgan - Analyst*

Okay, and just in terms of understanding the opportunity for the reduction in field costs, where are your closest existing properties to Commonwealth's properties?

Maggie Wilderotter - *Citizens Communications - Chairman, CEO*

We don't really see reductions in field costs. We think that our properties are close, but they are not contiguous and we do believe that the field infrastructure that Commonwealth has will remain intact, including the people that are focused on taking great care of customers in those markets. Our primary focus has really been in the other 2 buckets; the corporate governance bucket and the system buckets.

Don Shassian - *Citizens Communications - CFO*

And their field force statistics, the service quality is very, very good, their productivity is very good, they run a very good operation. There are very good people there and delivering very, very good service, and we're very comfortable with that. So it is the other 2 buckets.

Jonathan Chaplin - *JPMorgan - Analyst*

Okay, and then you guys have recently sold off your SELIG business. Is there an opportunity for you to monetize CTSI as well?

Maggie Wilderotter - *Citizens Communications - Chairman, CEO*

Well, I think we will take a look at all the options with regard to the SELIG, but this is a very different SELIG than the SELIG we just sold. First of all, Electric Light Wave was really not overlapping in any of the markets where we did business except for 1 market in California. So it wasn't an edge-out strategy. If you think about Commonwealth, they really used the SELIG as a vehicle to service businesses in a greater service area. Because their footprint is so rural, they have cities like Scranton or Wilkes-Barre that are outside their territory but it's the common area for their customer base. So they use the vehicle of a SELIG to really extend their business reach.

It's not very different than what we've actually done from a vehicle perspective in Rochester where we actually have a SELIG entity as well, but we run it as part of the ILEG operation, so we would probably see doing exactly the same thing in the Commonwealth markets that we can combine operations to get synergies and also continue to offer business products that extend out of the reach but contiguous to the markets where they do business.

Sep. 18. 2006 / 9:00AM, CZN - Citizens Communications Co. Merger & Acquisition Announcement

Jonathan Chaplin - *JPMorgan - Analyst*

Got it; and then finally if I may where can I get a copy of these slides? The only ones I've been able to find so far are attached to the webcast and we can't print those or scroll through them.

Don Shassian - *Citizens Communications - CFO*

They're on our website; that probably is the best way to get them Jonathan. I believe they should be on there, and that should be able to be printed down off of that. And if there is a problem, give us a yell. But my understanding is, people in the room are giving me the high sign that they are on our website. Jonathan, it'll be on after this call, it'll be on after the call.

Operator

Thomas Egan, JP Morgan.

Thomas Egan - *JP Morgan - Analyst*

Oh hi, thanks if you can stand one more bond question. Just to be clear, I wanted to make sure the bridge facility, that will be at the parent Company, Citizens Communications?

Don Shassian - *Citizens Communications - CFO*

It will not be at the subsidiary if that's your question.

Thomas Egan - *JP Morgan - Analyst*

Yes it is.

Don Shassian - *Citizens Communications - CFO*

No, either the parent or some other parent affiliate, but it will not be down at the operating level. We do not see the debt as being an issue that will be put forth in the regulator environment. It'll be at the top level.

Thomas Egan - *JP Morgan - Analyst*

Okay, and then one other thing; you mentioned that you thought that the Commonwealth Telephone owners of the converts would convert, and it looks like they probably would. Do you have a sense of what the cash component of that is? I know there's a dividend adjustment. I could do the math and I get about \$165 million for straight-up convert, but I know this is dividend adjustment. Could you give us an idea what the total cash component of that would be in your estimation?

Don Shassian - *Citizens Communications - CFO*

There's 2 components to that; the new convert is about \$65 million in cash.

Sep. 18. 2006 / 9:00AM, CZN - Citizens Communications Co. Merger & Acquisition Announcement

Thomas Egan - *JP Morgan - Analyst*

Right.

Don Shassian - *Citizens Communications - CFO*

And let me see if I can pull up the other component of this. I'm not sure if I've got it handy right in front of me.

Thomas Egan - *JP Morgan - Analyst*

I can check back after the call.

Don Shassian - *Citizens Communications - CFO*

You can check it, but we are expecting, the new component is about \$65 million, and the balance then has the combination.

Thomas Egan - *JP Morgan - Analyst*

All right.

Don Shassian - *Citizens Communications - CFO*

I'll have Don Armour give you a call afterwards.

Operator

Dean [Asofti], Credit Suisse.

Dean Asofti - *Credit Suisse - Analyst*

Good morning, thanks; just a couple of quick questions. On the Commonwealth side, will they be continuing to pay their dividend until you close?

Don Shassian - *Citizens Communications - CFO*

Yes, this is business as usual for them. Obviously, you can ask them, but they're planning they'll operate this business, we'll be operating this business as a separate stand-alone business as they are a public company, and they'll continue running that business as the can; they're dealing with all their stake holders as they have been, in a very professional, upstanding way.

Dean Asofti - *Credit Suisse - Analyst*

Okay; is there a breakup fee in this deal?

Don Shassian - *Citizens Communications - CFO*

There is, \$37 million.

Sep. 18. 2006 / 9:00AM, CZN - Citizens Communications Co. Merger & Acquisition Announcement

Maggie Wilderotter - *Citizens Communications - Chairman, CEO*

Three percent.

Dean Asofti - *Credit Suisse - Analyst*

All right, that's it for now; thank you very much.

Operator

[Boyd Eichner, BNT Paramount.]

Boyd Eichner - *BNT Paramount - Analyst*

Hi, just a follow-up question on the CTCO outstanding convert; technically what exactly are CTCO holders of the convert will be forced to convert out, or are you just assuming that they're going to convert out because of where the strike price is?

Don Shassian - *Citizens Communications - CFO*

It is the latter; we assume that the strike price will make it very attractive for them to do so. If they don't, we'll have to put them into a convertible, but we would expect them to convert. It will be, I think, economically attractive for them to do it.

Boyd Eichner - *BNT Paramount - Analyst*

And what portion of the convert holders will be treated the same way as the shareholders in that you're getting a fixed amount of cash and a fixed amount of the stock ratio?

Don Shassian - *Citizens Communications - CFO*

Both, the same transaction, same economics.

Don Armour - *Citizens Communications - VP Finance and Treasurer*

We'll take one more question please.

Operator

[Demetri Triandifilia], Wachovia.

Demetri Triandifilia - *Wachovia - Analyst*

Thank you, good morning; either on the bridge and also on the transaction, is there a material adverse change clause?

Sep. 18. 2006 / 9:00AM, CZN - Citizens Communications Co. Merger & Acquisition Announcement

Don Shassian - *Citizens Communications - CFO*

Yes.

Demetri Triandifilia - *Wachovia - Analyst*

Okay.

Don Shassian - *Citizens Communications - CFO*

And they are the same. They are linked; the material adverse change clause in the merger agreement is exactly the same as it exists in the financing commitment bridge facility we have with Citigroup.

Demetri Triandifilia - *Wachovia - Analyst*

Okay fantastic; and then assuming are there any price adjustment if access line trends on Commonwealth were to deteriorate further than recent trends, is there room for a price adjustment on the transaction and let it still go through?

Don Shassian - *Citizens Communications - CFO*

Material adverse change.

Demetri Triandifilia - *Wachovia - Analyst*

Oh and that is it?

Don Shassian - *Citizens Communications - CFO*

Yes sir.

Demetri Triandifilia - *Wachovia - Analyst*

And on the directories, or the JV for Commonwealth, who is the JV partner there?

Don Shassian - *Citizens Communications - CFO*

Oh boy, why am I drawing a blank – I apologize for this. I think it's Donnelly. I'm saying that with a little bit of hesitation; I'm drawing a blank. I apologize.

Demetri Triandifilia - *Wachovia - Analyst*

No problem.

Sep-18-2006 / 9:00AM, CZN - Citizens Communications Co. Merger & Acquisition Announcement

Maggie Wilderotter - *Citizens Communications - Chairman, CEO*

But it's a different partnership than we have. It also has a contract where we can make a change based upon change of control. So one of the things we would do is analyze the directory business to look at synergies with our directories as of today.

Demetri Trlandifilla - *Wachovia - Analyst*

Okay great; that was -- okay fantastic.

Operator

There appear to be no further questions at this time. I will turn the call over to Maggie Wilderotter for closing remarks.

Maggie Wilderotter - *Citizens Communications - Chairman, CEO*

Well again, I want to thank you all for spending the time with us this morning to go through this announcement. As I said in the beginning, we are very excited about this opportunity; it's very strategic for the Company; it's an extension of our basic business; it does provide for great financial flexibility for us in the long run. And it also allows us to take our sales and marketing approach and customer focus and extend that into the Commonwealth market.

I also want to again mention that we believe that the Commonwealth leadership team has done a great job with these markets in managing them, and we will pick up on that momentum and take it to the next step.

So thanks again for joining us this morning.

Operator

This concludes today's Citizens Communications Conference Call. You may now disconnect.

DISCLAIMER

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2006, Thomson Financial. All Rights Reserved.

Exhibit E



Research in Focus

■ DAILY RAP: Introducing the \$80 triple-play

The pricing for the voice/video/data bundle hit a new low recently with Citizens' launch of a triple-play bundle in 11 markets for \$80 per month for the first year of service. The offer is for customers signing up for a 2-year contract with the company and the price of the triple-play increases to \$120 per month...

■ CITIZENS: Highlights from preliminary proxy

On 7 November, Citizens Communications (CZN) filed the preliminary proxy for its pending merger with Commonwealth Telephone (CTCO). The proxy included pro forma financial results and a detailed description of the background to the merger....

■ CITIZENS: Walking the tight rope between margins and growth

Citizens reported mixed third quarter results as better than expected revenues were offset by lower margins leading to lower than expected EBITDA of \$277.7M vs. our estimate of \$281.7M. Margins declined 220 bps sequentially to 54.8% (UBSe 55.8%) on higher costs....

8 November 2006

www.ubs.com/investmentresearch**John C. Hodulik, CFA**

Analyst

john.hodulik@ubs.com

+1-212-713 4226

Batya Levi

Associate Analyst

batya.levi@ubs.com

+1-212-713 8824

Gaurav Jaitly

Associate Analyst

gaurav.jaitly@ubs.com

+1-212-713 8680

This report has been prepared by UBS
Securities LLC

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 4

UBS does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

- DAILY RAP: Introducing the \$80 triple-play
- CITIZENS: Highlights from preliminary proxy
- CITIZENS: Walking the tight rope between margins and growth

- NOTES

DAILY RAP: Introducing the \$80 triple-play

- John.Hodulik@ubs.com
- Gaurav.Jaitly@ubs.com

The pricing for the voice/video/data bundle hit a new low recently with Citizens' launch of a triple-play bundle in 11 markets for \$80 per month for the first year of service. The offer is for customers signing up for a 2-year contract with the company and the price of the triple-play increases to \$120 per month in the second year. Citizens offers video through its resale arrangement with EchoStar and the offer includes the Dish Network's 200 channel digital package. The company trialed the offering in its most competitive market of Rochester, NY for six weeks in the third quarter and suggested that it saw a big surge in demand and experienced the lowest access line losses during the quarter in the market since the launch of Time Warner Cable's VoIP offering in 2005. Management suggested that it added over 2000 new Dish video subscribers in the market over that period.

Customers in the 11 markets have the choice of substituting the TV offer with a free Dell PC. The company is also offering the free PC to "new" high-speed subscribers in its remaining markets. These new HSI customers can get a double-play voice and data bundle for \$60-\$90 per month along with the free PC when they sign up for a 2-year contract. Existing high-speed customers need to sign a 3-year contract to avail of the "free PC" offer. Management believes these new aggressive promotions will help invigorate broadband growth in Citizen's markets and suggested that October was the best month for high-speed sales for the company since January 2005 (the company added a record 30.5K DSL subs in 1Q05).

While the new bundles should help drive increased broadband penetration for Citizens and help reduce access line losses, we believe the net financial impact for the company depends on cable's competitive response. It is hard to imagine that Time Warner will stand still if Citizens' continues to have success with its offers. We believe this could force Time Warner and other cable competitors to get more aggressive with the pricing of their bundle in Citizen's markets. In addition, the free PC offer could lead to higher bad debt expense for the company and increased churn after the promotion period is over. We note that the old SBC had attempted a similar strategy in the late 90s which led to big surge in uncollectibles due to customer non-payment once they had received the PC. Management is trying to limit this by putting in place a high contract termination fee.

CITIZENS: Highlights from preliminary proxy

■ Philip.Olesen@ubs.com

On 7 November, Citizens Communications (CZN) filed the preliminary proxy for its pending merger with Commonwealth Telephone (CTCO). The proxy included pro forma financial results and a detailed description of the background to the merger. According to the proxy, CZN initially proposed a 50/50 funding mix between cash and equity for the merger financing. CZN only raised its cash portion to the agreed upon 75% once it became clear that the two other bidders were proposing all-cash deals as CTCO had requested. The other bidders in the auction were not named, although they were strategic buyers. The willingness of the other buyers to pursue all cash deals reinforces our concerns regarding CenturyTel and Embarq as we believe both of these companies would be prepared to sacrifice financial flexibility for the right strategic transaction.

CZN estimates the CTCO deal will have an enterprise value of \$1.2bn, including an estimated \$20m in fees and \$38m to buy out options. CZN expects to issue \$280m in equity, with the balance funded under its \$990m unsecured bridge. CZN expected to redeem \$67m of the CTCO converts for cash, with the remaining \$233m to be converted into CTCO stock which will then receive the merger consideration. We expect CZN to tap the debt market prior to closing for the permanent financing. In addition, we believe CZN could issue debt in the near-term to prefund a portion of its large 2008 debt maturity, with the balance of the '08s refinanced as part of the merger.

CITIZENS: Walking the tight rope between margins and growth

■ John.Hodulik@ubs.com

■ Gaurav.Jaitly@ubs.com

Citizens reported mixed third quarter results as better than expected revenues were offset by lower margins leading to lower than expected EBITDA of \$277.7M vs. our estimate of \$281.7M. Margins declined 220 bps sequentially to 54.8% (UBSe 55.8%) on higher costs. Management believes it can maintain margins in the 55% range over the foreseeable future despite investments in growth initiatives.

DSL net adds were disappointing in the quarter at roughly 12.3K (UBSe 23.8K). Mgmt launched new promotions in 4Q that include free PCs and one year of free video service with longer-term contract commitments. The company is seeing strong demand for these offers. We believe that while these promotions could lead to near-term margin dilution, they are a positive contributor over the life of the contract. Access line losses stabilized, declining 5.0% (UBSe -5.1%), similar to the 5.0% decline in the prior quarter and up from 4.3% a year-ago as lower losses in the Rochester market were offset by increasing competition in the western markets. FCF was \$127.6M (UBSe \$118.4M) on lower capex in the quarter (\$65M vs. UBSe \$79M). We expect capex of over \$100M in 4Q bringing '06 FCF at the high end of mgmt. guidance.

NOTES

- Please see document for important legal disclosures

For additional questions, to be taken off this list or to make a change to your email address, please contact Jennifer Collier at jennifer.collier@ubs.com or 212-713-1423.

■ Statement of Risk

Risks include managements' ability to execute, potential adverse changes in regulation, changes in technology, the effects of a weak economy, increasing competition, and a large degree of operating leverage.

■ Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

Required Disclosures

This report has been prepared by UBS Securities LLC, an affiliate of UBS AG (UBS).

For information on the ways in which UBS manages conflicts and maintains independence of its research product; historical performance information; and certain additional disclosures concerning UBS research recommendations, please visit www.ubs.com/disclosures.

UBS Investment Research: Global Equity Ratings Definitions and Allocations

UBS rating	Definition	UBS rating	Definition	Rating category	Coverage ¹	IB services ²
Buy 1	FSR is > 6% above the MRA, higher degree of predictability	Buy 2	FSR is > 6% above the MRA, lower degree of predictability	Buy	49%	34%
Neutral 1	FSR is between -6% and 6% of the MRA, higher degree of predictability	Neutral 2	FSR is between -6% and 6% of the MRA, lower degree of predictability	Hold/Neutral	38%	32%
Reduce 1	FSR is > 6% below the MRA, higher degree of predictability	Reduce 2	FSR is > 6% below the MRA, lower degree of predictability	Sell	12%	27%

1: Percentage of companies under coverage globally within this rating category.

2: Percentage of companies within this rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Ratings allocations are as of 30 September 2006.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Predictability Level The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities.

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

EXCEPTIONS AND SPECIAL CASES

US Closed-End Fund ratings and definitions are: Buy: Higher stability of principal and higher stability of dividends; Neutral: Potential loss of principal, stability of dividend; Reduce: High potential for loss of principal and dividend risk.

UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Reduce: Negative on factors such as structure, management, performance record, discount.

Core Banding Exceptions (CBE): Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Companies Mentioned or Company Disclosure table in the relevant research piece.

Companies mentioned

Company Name	Reuters	Rating	Price	Price date/time
--------------	---------	--------	-------	-----------------

Company Name	Reuters	Rating	Price	Price date/time
AT&T Inc. ^{2b,4b,6a,6b,6c,7,16}	T.N	Buy 1	US\$34.30	07 Nov 2006 19:37 EST
Citizens ^{2a,4a,5,6a,16,23}	CZN.N	Neutral 2	US\$14.66	07 Nov 2006 19:37 EST

Source: UBS. EST: Eastern standard time.

- 2a. UBS AG, its affiliates or subsidiaries has acted as manager/co-manager in the underwriting or placement of securities of this company/entity or one of its affiliates within the past three years.
- 2b. UBS AG, its affiliates or subsidiaries has acted as manager/co-manager in the underwriting or placement of securities of this company/entity or one of its affiliates within the past 12 months.
- 4a. Within the past three years, UBS AG, its affiliates or subsidiaries has received compensation for investment banking services from this company/entity.
- 4b. Within the past 12 months, UBS AG, its affiliates or subsidiaries has received compensation for investment banking services from this company/entity.
5. UBS AG, its affiliates or subsidiaries expect to receive or intend to seek compensation for investment banking services from this company/entity within the next three months.
- 6a. This company/entity is, or within the past 12 months has been, a client of UBS Securities LLC, and investment banking services are being, or have been, provided.
- 6b. This company/entity is, or within the past 12 months has been, a client of UBS Securities LLC, and non-investment banking securities-related services are being, or have been, provided.
- 6c. This company/entity is, or within the past 12 months has been, a client of UBS Securities LLC, and non-securities services are being, or have been, provided.
7. Within the past 12 months, UBS Securities LLC has received compensation for products and services other than investment banking services from this company/entity.
16. UBS Securities LLC makes a market in the securities and/or ADRs of this company.
23. UBS AG, its affiliates or subsidiaries held other significant financial interests in this company/entity as of last month's end (or the prior month's end if this report is dated less than 10 working days after the most recent month's end).

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Global Disclaimer

This report has been prepared by UBS Securities LLC or an affiliate thereof ("UBS"). In certain countries UBS AG is referred to as UBS SA.

This report is for distribution only under such circumstances as may be permitted by applicable law. It has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, except with respect to information concerning UBS AG, its subsidiaries and affiliates, nor is it intended to be a complete statement or summary of the securities, markets or developments referred to in the report. The report should not be regarded by recipients as a substitute for the exercise of their own judgement. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of UBS as a result of using different assumptions and criteria. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. UBS is under no obligation to update or keep current the information contained herein. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS, into other areas, units, groups or affiliates of UBS. The compensation of the analyst who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of UBS Investment Bank as a whole, of which investment banking, sales and trading are a part.

The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Mortgage and asset-backed securities may involve a high degree of risk and may be highly volatile in response to fluctuations in interest rates and other market conditions. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Neither UBS nor any of its affiliates, nor any of UBS' or any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. Additional information will be made available upon request.

For financial instruments admitted to trading on an EU regulated market: UBS AG, its affiliates or subsidiaries (excluding UBS Securities LLC and/or UBS Capital Markets LP) acts as a market maker or liquidity provider (in accordance with the interpretation of these terms in the UK) in the financial instruments of the issuer save that where the activity of liquidity provider is carried out in accordance with the definition given to it by the laws and regulations of any other EU jurisdictions, such information is separately disclosed in this research report.

United Kingdom and the rest of Europe: Except as otherwise specified herein, this material is communicated by UBS Limited, a subsidiary of UBS AG, to persons who are market counterparties or intermediate customers (as detailed in the FSA Rules) and is only available to such persons. The information contained herein does not apply to, and should not be relied upon by, private customers. UBS Limited is regulated by the FSA. **France:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities France SA. UBS Securities France S.A. is regulated by the the Autorité des Marchés Financiers (AMF). Where an analyst of UBS Securities France S.A. has contributed to this report, the report is also deemed to have been prepared by UBS Securities France S.A. **Germany:** Prepared by UBS Limited and distributed by UBS Limited and UBS Deutschland AG. UBS Deutschland AG is regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). **Spain:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities España SV, SA. UBS Securities España SV, SA is regulated by the Comisión Nacional del Mercado de Valores (CNMV). **Russia:** Prepared and distributed by the Moscow Representative Office of UBS Cyprus Moscow Limited. **Switzerland:** Distributed by UBS AG to persons who are institutional investors only. **Italy:** Prepared by UBS Limited and distributed by UBS Limited and UBS Italia Sim S.p.A.. UBS Italia Sim S.p.A. is regulated by the Bank of Italy and by the Commissione Nazionale per le Società e la Borsa (CONSOB). Where an analyst of UBS Italia Sim S.p.A. has contributed to this report, the report is also deemed to have been prepared by UBS Italia Sim S.p.A.. **South Africa:** UBS South Africa (Pty) Limited (Registration No. 1995/011140/07) is a member of the JSE Limited, the South African Futures Exchange and the Bond Exchange of South Africa. UBS South Africa (Pty) Limited is an authorised Financial Services Provider. **United States:** Distributed to US persons by either UBS Securities LLC or by UBS Financial Services Inc., subsidiaries of UBS AG; or by a group, subsidiary or affiliate of UBS AG that is not registered as a US broker-dealer (a "non-US affiliate"), to major US institutional investors only. UBS Securities LLC or UBS Financial Services Inc. accepts responsibility for the content of a report prepared by another non-US affiliate when distributed to US persons by UBS Securities LLC or UBS Financial Services Inc. All transactions by a US person in the securities mentioned in this report must be effected through UBS Securities LLC or UBS Financial Services Inc., and not through a non-US affiliate. **Canada:** Distributed by UBS Securities Canada Inc., a subsidiary of UBS AG and a member of the principal Canadian stock exchanges & CIPF. A statement of its financial condition and a list of its directors and senior officers will be provided upon request. **Hong Kong:** Distributed by UBS Securities Asia Limited. **Singapore:** Distributed by UBS Securities Pte. Ltd or UBS AG, Singapore Branch. **Japan:** Distributed by UBS Securities Japan Ltd to institutional investors only. **Australia:** Distributed by UBS AG (Holder of Australian Financial Services Licence No. 231087) and UBS Securities Australia Ltd (Holder of Australian Financial Services Licence No. 231096) only to "Wholesale" clients as defined by s761G of the Corporations Act 2001. **New Zealand:** Distributed by UBS New Zealand Ltd.

© 2006 UBS. All rights reserved. This report may not be reproduced or redistributed, in whole or in part, without the written permission of UBS and UBS accepts no liability whatsoever for the actions of third parties in this respect.



Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

_____)	
In re: Application of)	
)	
Citizens Communications Company)	
)	
and)	File No. ITC-T/C-20060929-00450
)	WC Dkt. No. 06-184
Commonwealth Telephone Enterprises, Inc.)	
)	
For Section 214 Authority to Transfer)	
Control of Domestic and International)	
Authorization)	
_____)	

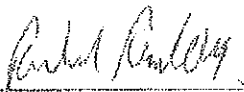
DECLARATION OF RICHARD RAMLALL

I, Richard Ramlall, state that:

1. I am Senior Vice President, Strategic and External Affairs, RCN Corporation ("RCN"). I am responsible for, among other things, regulatory matters for RCN at the state and federal levels. I am authorized to make this Declaration on RCN's behalf.

2. By this declaration, I support RCN's Petition to Deny, and state that, apart from the allegations of fact of which official notice may be taken, I have personal knowledge of the allegations of fact contained in the Petition to Deny.

I declare under penalty of perjury that the foregoing is true and correct. Executed on November 10, 2006.



Richard Ramlall

CERTIFICATE OF SERVICE

I hereby certify that a copy of the attached Petition to Deny was sent via first class mail, postage prepaid, and via electronic mail, on November 13, 2006 to:


Commonwealth Telephone Enterprises, Inc.
100 CTE Drive
Dallas, Pennsylvania 18612
Ray Ostroski- ray.ostroski@ct-enterprises.com

Citizens Communications Company
3 High Ridge Park
Stamford, Connecticut 06905
Hillary Glassman- hilary.glassman@czn.com

The following were served a copy of the attached Petition to Deny via electronic mail:

FCC International Bureau
David Krech- david.krech@fcc.gov
Sumita Mukhoty- sumita.mukhoty@fcc.gov

FCC Wireline Bureau
Denise Coca- denise.coca@fcc.gov
William Dever- william.dever@fcc.gov



Brian McDermott