

# Senior Management Representatives

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Maggie Wilderotter

Chairman and Chief Executive Officer

Don Shassian

Chief Financial Officer

# Merger Highlights

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- **Strategic acquisition that expands Citizens' geographic presence**
  - Rural ILEC with fragmented cable competition (316K lines)
  - Edge-out CLEC in adjacent markets (138K lines)
  - CZN will have 493K <sup>(a)</sup> lines in Pennsylvania (19% of pro forma lines)
- **Increased scale and scope provides ~ \$30 million in annual cash synergies**
- **Opportunity to increase product penetration and customer retention**
- **CTE shareholders receive premium with significant liquidity**
  - Ongoing interest in a stronger combined company with a higher dividend yield
- **Transaction improves Citizens' financial profile**
  - ✓ Free cash flow accretive in year one
  - ✓ Slight increase in leverage (consistent with guidance)
  - ✓ Reduces dividend payout ratio
  - ✓ Maintains financial and operational flexibility

(a) Includes 39K CZN ILEC lines as of 6/30/06.

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# CTE Meets Our Acquisition Criteria

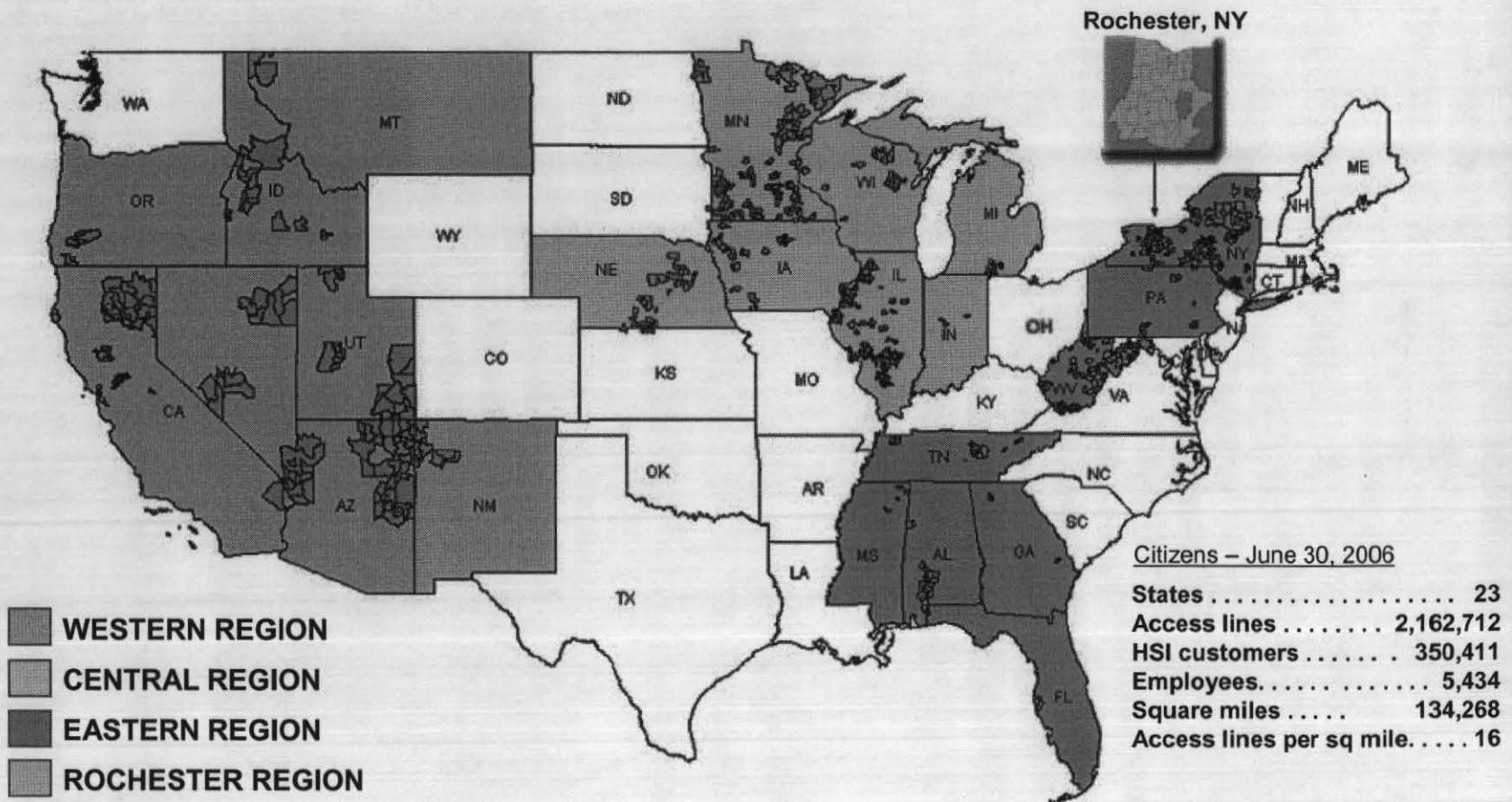
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## Criteria

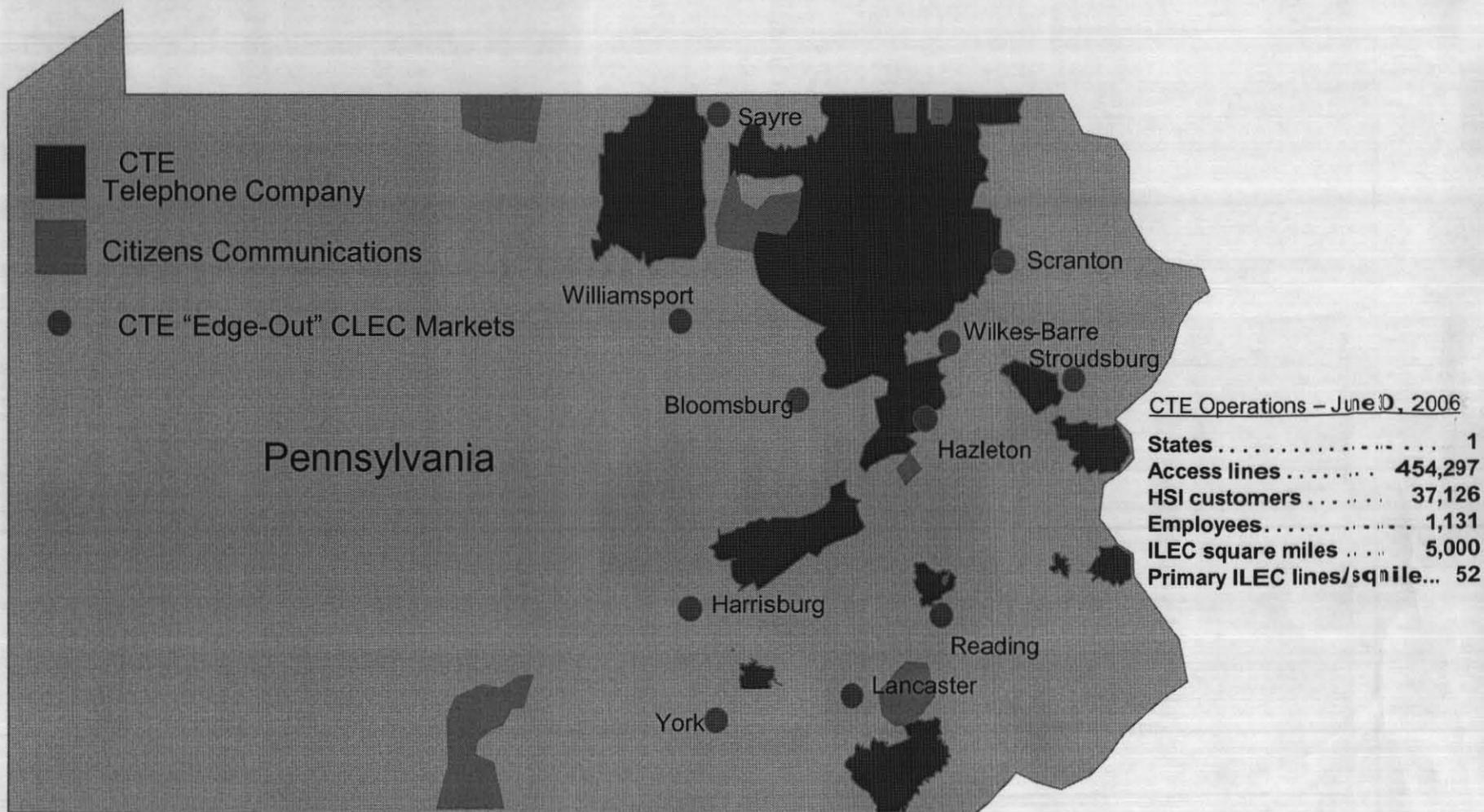
## Commentary

Rural Profile	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"><li>• Fragmented cable competition</li></ul>
Attractive Demographics	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"><li>• Income growth comparable to national averages</li></ul>
Quality Assets	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"><li>• Modern infrastructure with excellent quality of service</li></ul>
Upside for Organic Growth	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"><li>• Considerable upside opportunities</li></ul>
Leverage Scale Economies	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"><li>• ~ \$30mm in annual cash savings</li></ul>
Free Cash Flow Accretive	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"><li>• Free cash flow accretive in first year</li></ul>
Maintains Dividend Payout Profile	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"><li>• Improves dividend payout ratio</li></ul>

# Citizens – Our Current Operations

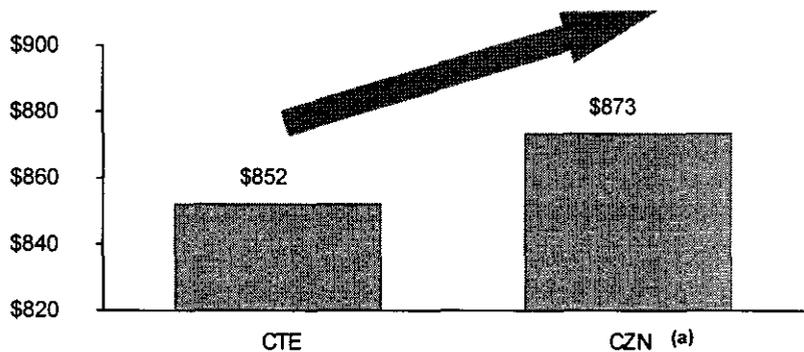


# Commonwealth – Pennsylvania Operations

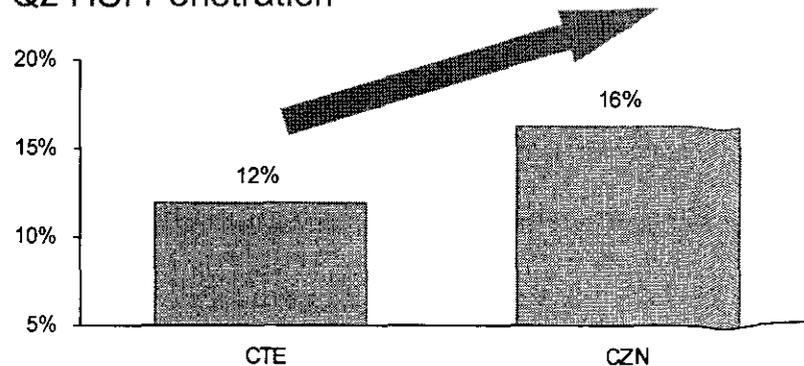


# CTE ILEC Revenue Upside Opportunities

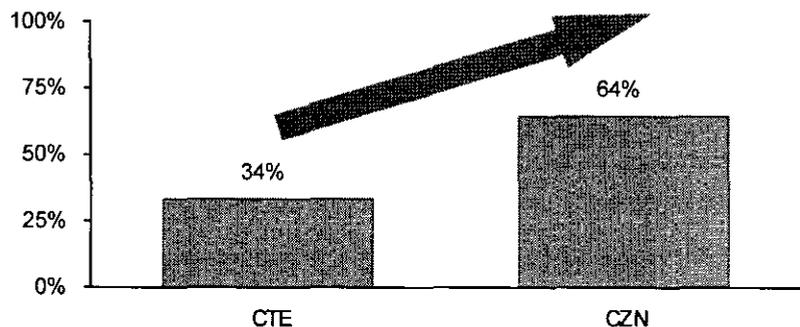
1H Annualized ILEC Revenue / Line



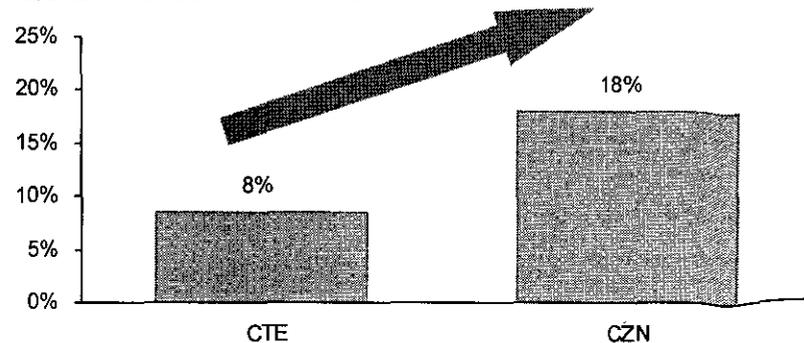
Q2 HSI Penetration



Q2 LD Penetration



Q2 Bundles Penetration



**Significant potential for upside with increased HSI, LD and bundled penetration**

Note: CTE ILEC data based on adjusted access lines (assumes CTE second line penetration equal to that of CZN (7.5% of primary lines as of June 30, 2006)).

(a) Excludes directories revenue.

# Market Strategies

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- **Rebrand entire operations to Frontier**
  - Single brand, increased visibility
- **Provide customer-focused revenue generating solutions**
  - Continue to drive product penetration
  - Focus on the efficiency and value of bundled service offerings
  - Introduce customer contracts
  - Introduce enhanced value-added products
    - Ask.com co-branded portal
    - Wireless modem
    - ESPN 360
    - Frontier Secure Connections (featuring Computer Associates)
  - Participate in national campaigns
- **Market edge-out CLEC services**

# Transaction Summary

Parameter	Term
Value Per Share	\$41.72 <sup>(a)</sup> 75% = \$31.31 per share in cash 25% = 0.768 fixed exchange ratio of CZN stock ( \$10.41 per share as of signing ) <sup>(a)</sup>
Transaction Value	\$1.158 billion
Premium	8.3% (1-day: 9/15 - \$38.52) 17.2% (1-week: 9/8 - \$35.60)
Multiple of 2006 EBITDA	6.76x – Adjusted 2006 EBITDA 5.75x – Adjusted 2006 EBITDA (with synergies)
CTE Ownership	6%
Structure	Taxable merger
Financing	\$990mm bridge facility from Citigroup
Required Approvals	CTE shareholders, FCC, HSR, PA state PUC
Expected Closing	Mid-2007

<sup>(a)</sup> Reflects CZN share price of \$13.55 as of September 15, 2006.

# Sources and Uses

<b>TOTAL USES</b>	<b>Purchase Price</b>
	<b><u>\$41.72</u></b>
Common Stock Outstanding (20.8 mm)	\$870
Cash-Out Employee Shares / Options (1.2 mm) (a)	<u>39</u>
Total Equity Value	\$908
Convertible Bond - Cash and Stock (b)	313
Other Debt	40
Year 1 Integration Costs, Tax Liabilities, Other	<u>80</u>
<b>Total Uses</b>	<b>\$1,341</b>
<hr/>	
<b>TOTAL SOURCES</b>	<b>Purchase Price</b>
	<b><u>\$41.72</u></b>
CTE Cash (c)	\$69
Equity Issued (20.5 mm shares) (d)	278
Debt Issued	990
AT CoBank Patronage Div.	<u>4</u>
<b>Total Sources</b>	<b>\$1,341</b>
Exchange Ratio	0.768
Shares Issued	20.5

(a) 0.257mm ESPP shares, 0.004mm restricted shares, 0.545mm RSU's, and 0.384mm options with option proceeds of \$11mm.

(b) Assumes June 2006 conversion price of \$39.93.

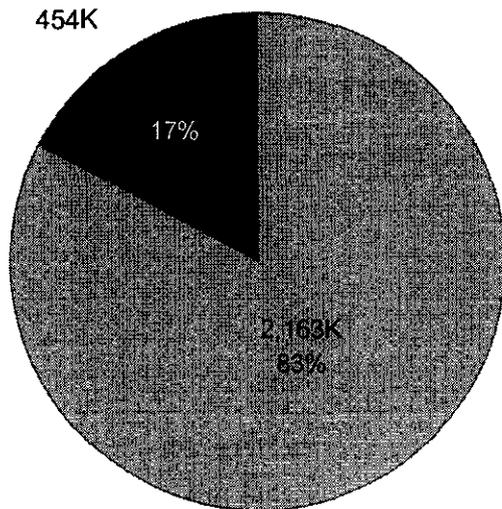
(c) \$99mm of PF 06/30/06 CTE cash less \$30mm of retained cash.

(d) \$217mm (16.0mm shares issued) for the common stock and \$62mm (4.5mm shares issued) for the convertible.

# CTE – An Extension Acquisition

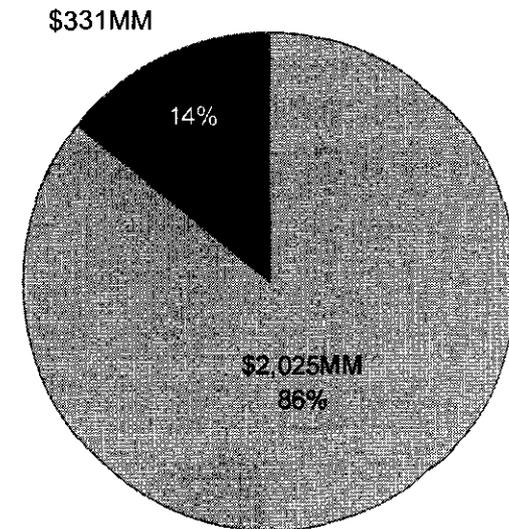
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Access Lines



6/30/06 Pro Forma: 2,617K

LTM Revenue



LTM Pro Forma: \$2,356MM

 Citizens  CTE

# Targeted Synergies

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## Corporate Expense

- Corporate overhead and support functions
- Other third-party costs

## Leverage Citizens Scale Across Operational Areas

- IT software licenses and contractors
- Third party processing fees (eg. payroll, etc.)
- Purchasing

Annual Cash Savings  
~\$30 million

## Non-Cash Compensation Costs

Annual Reduction  
~\$10mm

## One-Time Integration Costs

One-Time  
~(\$35)mm

# Key Combination Metrics – Pre Synergies

	Citizens	CTE	Pro Forma w/o Synergies
Access Lines (000s)	2,163	454	2,617
LTM Revenue (\$MM)	\$2,025	\$331	\$2,356
LTM EBITDA (\$MM) <sup>(a)</sup>	1,130	166	1,296
2006 Capex Guidance	\$270 - \$280	\$44 - \$47	\$314 - \$327
2006 Free Cash Flow	\$500 - \$525 <sup>(b)</sup>	\$40 - \$50 <sup>(c)</sup>	\$540 - \$575
Implied 2006E Dividend Payout Ratio	61% - 64%	--	60% - 63%
Shares Outstanding	320.8 <sup>(d)</sup>	--	341.3
Net Debt (6/30/06)	\$3,601 <sup>(e)</sup>	\$960 <sup>(f)</sup>	\$4,561
Net Debt / LTM EBITDA (6/30/06)	3.2x	--	3.5x

(a) Pre non-cash stock compensation (CTE data does not reflect Directories income).

(b) Based on management guidance.

(c) CZN estimate, based on CTE management guidance, adjusted for acquisition financing costs (excluding extraordinary integration costs).

(d) Shares outstanding as of July 31, 2006.

(e) CZN pro forma for \$247mm of debt reduction from ELI transaction.

(f) \$990mm of debt less \$30mm of retained CTE cash.

# Transaction Analysis

- Adjusted EBITDA adds-back non-cash compensation expense (\$10mm) and income from the Directories partnership (\$5mm)

Parameter	
Share Price	\$41.72
<b>Equity Value</b>	<b>\$908</b>
Convertible Bond <sup>(a)</sup>	313
Other Debt	40
Cash <sup>(b)</sup>	(103)
<b>Firm Value</b>	<b>\$1,158</b>
<b>Firm Value / Adjusted 2006 EBITDA</b>	<b>6.76x</b>
<b>Firm Value / Adjusted 2006 EBITDA (with synergies)</b>	<b>5.75</b>

CTE Management Guidance: 2006 EBITDA	\$157.0
Non Cash Compensation	9.8
Directories Cash Flow	4.5
Adjusted 2006 EBITDA	\$171.3
Annual Cash Synergies (run rate)	30.0
Adjusted 2006 EBITDA (w/synergies)	\$201.3

(a) Assumes June 30, 2006 conversion price of \$39.93.

(b) Reflects June 30, 2006 cash of \$110mm less \$11mm tax on RTB gain plus \$4mm AT Co-bank proceeds.

# Other Financial Information

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- 2006 Citizens guidance confirmed
  - Free Cash Flow: \$500MM - \$525MM
  - Capital Expenditure: \$270MM - \$280MM
- \$300MM share repurchase plan authorized in February 2006
  - \$135MM completed as of June 30, 2006
  - Anticipate completion post-close
- \$150MM debt reduction plan authorized in February 2006
  - Anticipate completion in conjunction with transaction financing

# Key Investment Highlights

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1. **Strong Competitive Position**
2. **Management Team Delivers Results**
3. **Demonstrated Ability to Deliver and Sell Products and Services**
4. **Proven Ability to Integrate New Properties**
5. **Focused on Shareholder Value**
  - FCF accretion
  - Maintain or improve payout ratio
  - Maintain moderate leverage
  - Maintain operational and financial flexibility

## CERTIFICATE OF SERVICE

I hereby certify that a copy of the attached Response to Opposition was sent via electronic mail, on November 28, 2006 to:

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