ORIGINAL

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

'99 DEC 1 PM 3

CK# 117319
$50.00 JR

WASHINGTON OFFICE
3000 K STREET, NW, SUITE 300
WASHINGTON, DC 20007-5116
TELEPHONE (202) 424-7500
FACSIMILE (202) 424-7647

NEW YORK OFFICE
919 THIRD AVENUE
NEW YORK, NY 10022-9998
TELEPHONE (212) 758-9500
FACSIMILE (212) 758-9526

November 18, 1999

RECEIVED
ADMINISTRATIVE
NOV 19 1999
TN REGULATORY AUTHORITY
JR

99-00918

VIA OVERNIGHT DELIVERY

K. David Waddell, Executive Director
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37219

Re: Petition of CTSI, Inc. for a Certificate of Convenience and Necessity To Provide Facilities-Based Local Exchange and Resold Interexchange Telecommunications Services

Dear Mr. Waddell:

Enclosed for filing on behalf of CTSI, Inc. ("CTSI") are an original and thirteen (13) copies of CTSI's Petition for a Certificate of Convenience and Necessity to provide facilities-based and resold, local exchange and interexchange telecommunications services throughout the State of Tennessee. Also enclosed is a check in the amount $50.00 in payment of the requisite filing fee.

Please date stamp the two (2) enclosed extra copies of this filing and return them in the self-addressed, postage prepaid envelope provided. Should any questions arise concerning this filing, please do not hesitate to contact us.

Respectfully submitted,

Ronald W. Del Sesto Jr.

Kathleen L. Greenan
Ronald W. Del Sesto, Jr.

Counsel for CTSI, Inc.

Enclosure

cc: Mark DeFalco

307428.1

FILE

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

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919 THIRD AVENUE
NEW YORK, NY 10022-9998
(212) 758-9500 FAX (212) 758-9526

VIA FIRST CLASS MAIL

TO: Carriers Operating in the State of Tennessee

FROM: Kathleen L. Greenan
Ronald W. Del Sesto, Jr.
Counsel for CTSI, Inc.

DATE: November 18, 1999

RE: Petition of CTSI, Inc., for a Certificate of Convenience and Necessity to Provide Facilities-Based and Resold, Local Exchange and Interexchange Telecommunications Services Throughout the State of Tennessee

---

NOTICE OF FILING

This is to notify you that the above-referenced telecommunications petition was filed with the Tennessee Regulatory Authority on November 18, 1999. A copy of the application may be obtained from the Authority.

CERTIFICATE OF SERVICE

I, Tiffani N. Shannon, do hereby certify that a copy of the foregoing notice was served via first class U.S. Mail on the parties listed below on this 18th day of November 1999.

BellSouth Telecommunications, Inc.
Guy M. Hicks, General Counsel
333 Commerce Street
Nashville, TN 37201-3300

Sprint-United
Steve Parrott
Director-Regulatory Affairs
United Telephone-Southeast, Inc.
14111 Capital Boulevard
Wake Forrest, NC 27587-5900

Levoy Knowles, General Manager
Ben Lomand Rural Telephone Coop.
P.O. Box 670
McMinnville, TN 37110-0670
(931) 668-4132

Greg L. Anderson, General Manager
Bledsoe Telephone Coop.
P.O. Box 609
Pikeville, TN 37367-0609

Wayne Gassaway, General Manager
DeKalb Telephone Coop.
P.O. Box 247
Alexandria, TN 37012-0247

Fred L. Terry, General Manager
Highland Telephone Coop.
P.O. Box 119
Sunbright, TN 37872

F. Thomas Rowland, General Manager
North Central Telephone Coop.
P.O. Box 70
Lafayette, TN 37083-0070

Citizens Telecommunications Company of Tennessee
Citizens Telecommunications Company of the Volunteer State
Mike Swatts
State Regulatory Director, South
P.O. Box 770
300 Bland Street
Bluefield, WV 24701

Hobart G. Davis, General Manager
Skyline Telephone Membership Corp.
P.O. Box 759
West Jefferson, NC 28694-0759

Twin Lakes Telephone Coop.
P.O. Box 67
Gainesboro, TN 38562

West Kentucky Rural Telephone Coop.
P.O. Box 649
Mayfield, KY 42066-0649

Yorkville Telephone Coop.
P.O. Box 8
Yorkville, TN 38389

American Communications Services, Inc.
131 National Business Parkway, Suite 100
Annapolis Junction, MD 20701

ATS of Tennessee, Inc.
3915 Mendenhall Road South
Memphis, TN 38115

AT&T
511 Union Street, Suite 1010
Nashville, TN 37219

Brooks Fiber Communications
of TN, Inc.
800 South Gay Street
Suite 1800
Knoxville, TN 37924

BTI Communications, Inc.
4200 Six Forks Road
P.O. Box 150002
Raleigh, NC 27624

Comm. Depot, Inc.
889 Bendik Drive
Jackson, TN 38301

DeltaCom, Inc.
P.O. Box 1233
Arab, AL 35016

GTE Communications Corp.
1200 Walnut Hill Lane
Irving, TX 75038

Hyperion of TN, Inc.
222 Second Avenue North
Washington Square-Suite 422
Nashville, TN 37219

ICG Telecom Group, Inc.
2100 West End Avenue, Suite 620
Nashville, TN 37203

Intermedia Communications
3625 Queen Palm Drive
Tampa, FL 33619-1309

LCI International Telecom Corp.
8180 Greensboro Drive, Suite 800
McLean, VA 22102

MCI Telecommunications Corp.
780 Johnston Ferry Road, Ste 700
Atlanta, GA 30342

MFS Communications Company, Inc.
One Tower Lane, Suite 1600
Oakbrooke Terrace, IL 60181

New South Communications, LLC
355 Woodruff Road
Greenville, SC 29607

NEXTLINK Tennessee
105 Molloy Street, Suite 300
Nashville, TN 37201

SouthEast Telephone LTD
317 Main Street, 4th Floor
Pikeville, KY 41501

Sprint Communications Company
3100 Cumberland Circle
Mailstop: GAATLN0802
Atlanta, GA 30339

TCG MidSouth
49 Music Square West
Suite 200
Nashville, TN 37203

Teligent, Inc.
8065 Leesburg Pike, Suite 400
Vienna, VA 22182

Time Warner
P.O. Box 210706
Nashville, TN 37221

US LEC of Tennessee
401 N Tyron Street, Suite 100
Charlotte, NC 28202

Logix Communications Corporation
13429 N. Broadway Extension, Suite 200
Oklahoma City, OK 73114

US West Interprise America, Inc.
1999 Broadway, Suite 700
Denver, CO 80202

MFS Intelnet of Tennessee, Inc.
515 East Amite Street, 4th Floor
Jackson, MS 39201

WinStar Communications of TN, Inc.
7799 Leesburg Pike
Suite 401 South
Tyson's Corner, VA 22043

WorldCom Technologies (LDDS)
Claire Daily, Director Legislative &
Regulatory Affairs
201 Energy Parkway, Suite 200
Lafayette, LA 70508

Tiffani N. Shannon

Tiffani N. Shannon

253475.1

BEFORE THE
TENNESSEE REGULATORY AUTHORITY

In the Matter of the Petition of	)	
	)	
CTSI, Inc.	)	Docket No. 99-00918
	)	
for a Certificate of Convenience and	)	
Necessity to Provide Facilities-Based	)	
Local Exchange and Resold	)	
Interexchange Telecommunications	)	
Services Throughout the State of Tennessee	)	

PETITION

I. INTRODUCTION

Pursuant to the provisions of T.C.A. §§ 65-4-201, Administrative Rules Chapter 1220-4-8, and the Federal Telecommunications Act of 1996 ("Federal Act" or "Act"), 47 U.S.C. § 251 *et seq.*, CTSI, Inc. ("CTSI" or "Petitioner") hereby files this Petition for a Certificate of Convenience and Necessity to provide facilities-based local exchange and interexchange telecommunications services throughout the State of Tennessee.

Consistent with the objectives of the Federal Act, the Tennessee Regulatory Authority ("Authority") has adopted a policy favoring competition in all telecommunications markets, recognizing that it is in the public interest to develop effective competition to ensure that all consumers, residential and business, will have access to high quality, low-cost, and innovative telecommunications services, regardless of the chosen service provider. In support of its Petition, CTSI provides the following information:

II. DESCRIPTION OF THE PETITIONER

1. Petitioner's legal name is CTSI, Inc. Petitioner maintains its principal place of business at:

CTSI, Inc.
300-H Laird Street
Wilkes-Barre, Pennsylvania 18702
(570) 208-6400(Tel.)
(570) 208-6511 (Fax)

2. All correspondence, notices, inquiries or other communications pertaining to this Petition should be addressed to:

Kathleen L. Greenan, Esq.
Ronald W. Del Sesto, Esq.
SWIDLER BERLIN SHEREFF FRIEDMAN, LLP
3000 K Street, N.W., Suite 300
Washington, D.C. 20007-5116
(202) 424-7500 (Tel.)
(202) 424-7645 (Fax)

3. Questions concerning the ongoing operations of CTSI following certification should be directed to:

Mark DeFalco
Director of Regulatory Affairs
300-A Laird Street
Wilkes-Barre, Pennsylvania 18702
(570) 208-3291(Tel.)
(570) 208-6396 (Fax)

4. The officers of CTSI will be responsible for the Company's operations in Tennessee. CTSI's principal officers are:

David C. McCourt	Chairman
Michael I. Gottdenker	President and Chief Executive Officer
John Butler	Executive Vice President and Chief Financial Officer

Donald P. Crawley	Vice President, Controller and Chief Accounting Officer
James DePolo	Executive Vice President
John J. Jones	Executive Vice President, General Counsel and Corporate Secretary
Raymond Dobe	Vice President of Sales
John D. Filipowicz	Senior Vice President, Assistant General Counsel and Assistant Secretary
Stuart Kirkwood	Vice President of Technology
Paul Pickett	General Manager - North/South
James J. Salle	Vice President of Taxation
Timothy J. Stoklosa	Senior Vice President and Treasurer
David G. Weselcouch	Vice President of Investor Relations
Gary M. Zingaretti	Vice President of Industry Relations

Each of the individuals listed above can be reached at:

CTSI, Inc.
300-H Laird Street
Wilkes-Barre, Pennsylvania 18702
(570) 208-6400(Tel.)
(570) 208-6511 (Fax)

5. While CTSI does not have corporate offices in Tennessee at this time, CTSI may open offices in Tennessee in the future.

6. CTSI will maintain the following toll-free customer service telephone number: 888-278-8783

7. Applicant's legal name is CTSI, Inc. Applicant is a privately held Pennsylvania corporation. Copies of CTSI's Articles of Incorporation are attached hereto as Exhibit 1 and CTSI's Certificate of Authority to Transact Business in Tennessee is also attached hereto as Exhibit 2.

8. CTSI is financially qualified to provide the facilities-based services for which it seeks authorization. In particular, CTSI has access to the financing and capital necessary to conduct its telecommunications operations as specified in this Application. Specifically, CTSI will rely upon

the substantial financial resources of its parent, Commonwealth Telephone Enterprises, Inc. ("Commonwealth") to provide the initial capital investment and to fund operating costs. Attached hereto as Exhibit 3 is a copy of Commonwealth's SEC form 10-Q for the quarterly period ending June 30, 1999. This Exhibit is being offered to demonstrate CTSI's financial ability to provide the proposed services. With the resources of Commonwealth, CTSI possesses the sound financial support necessary to effectively procure, install and operate the facilities and services requested in this Application.

9. CTSI possesses the managerial and technical qualifications to provide its proposed telecommunications services, and to operate and maintain its facilities over which such services eventually will be deployed. A description of the backgrounds and experience of CTSI's key personnel, which demonstrate the extensive telecommunications operational and technical expertise of the Applicant, is attached hereto as Exhibit 4.

10. Petitioner is familiar with and will adhere to all applicable Authority rules, policies and orders governing the provision of local exchange and interexchange telecommunications services. Petitioner has attached hereto a copy of its Small and Minority Owned Telecommunications Business Participation Plan as Exhibit 5.

III. PROPOSED SERVICES

11. CTSI proposes to provide residential and business local exchange and interexchange services throughout the entire State of Tennessee and, therefore, seeks statewide authority. Initially, the geographic area to be served by the Petitioner is identical to the entire area of the existing BellSouth Telecommunications, Inc., and the exchange area of any other local exchange carrier ("LEC") that is not now, or ceases to be, subject to competitive protection as a small or rural LEC

pursuant to 48 U.S.C. § 251(f). However, Petitioner seeks statewide authority so that it may expand into other service areas as market conditions warrant.

12. CTSI seeks authority to provide services that allow its customers to originate and terminate local calls to their customers served by CTSI as well as customers served by all other authorized local exchange carriers. CTSI also requests authority to provide switched access services to interexchange carriers, which will allow CTSI's customers to originate and terminate intrastate and interstate calls to and from customers of interexchange carriers.

CTSI requests authority to offer local exchange services to customers located in all exchanges in Tennessee. Exchange services may include, but will not be limited to the following: (i) local exchange access services to single line and multi-line customers (including basic residential and business lines, direct inward/outward PBX trunk service, Centrex services and ISDN); (ii) local exchange usage services to customers of CTSI's end user access line services; and (iii) switched and special carrier access services to other common carriers. CTSI seeks authority to provide Digital Subscriber Line services over its own facilities or by leasing local loops of ILECs and CLECs currently operating in Tennessee. In addition, CTSI seeks authority, through interconnection with other carriers, to offer 911 and enhanced 911 emergency services, directory assistance and operator assisted calling, dual party relay services, and other ancillary services currently provided by incumbent local exchange carriers.

CTSI also requests authority to offer interexchange services throughout the State of Tennessee, including both inbound and outbound intraLATA services. This will be accomplished through a combination of its own facilities and through the resale of the facilities of other certificated carriers. Initially, CTSI plans to offer services through a combination of purchased and leased assets. CTSI does not currently own any telecommunications facilities in the State of Tennessee.

13. Petitioner has attached hereto as Exhibits 7 its local exchange tariff. The tariff does include rates.

14. CTSI will bill its customers directly, using industry-accepted methods of billing and collection, or through an agent. Attached hereto as Exhibit 8 is a copy of CTSI sample customer bill.

IV. CONCLUSION

Petitioner intends to provide facilities-based, local exchange and interexchange telecommunications services. Petitioner's proposed telecommunications services will meet the needs of business and individual users in the State of Tennessee for competitively priced, superior quality, local exchange and interexchange telecommunications services. Accordingly, Authority approval of the instant Petition will foster competition in the local exchange and interexchange telecommunications markets and generate significant benefits to Tennessee telecommunications users, including: low-priced, high quality services; innovative telecommunications services and increased consumer choice; and efficient use of existing communications resources as well as increased diversification and reliability of the supply of communications services.

WHEREFORE CTSI, Inc., the Petitioner herein, requests that the Authority grant it a Certificate of Public Convenience and Necessity authorizing the Petitioner to provide facilities-based, local exchange and interexchange telecommunications services throughout the State of Tennessee.

Respectfully submitted,

Ronald W. Del Sesto Jr.

Kathleen L. Greenan, Esq.
Ronald W. Del Sesto, Esq.
SWIDLER BERLIN SHEREFF FRIEDMAN, LLP
3000 K Street, N.W., Suite 300
Washington, D.C. 20007-5116
(202) 424-7500 (Tel)
(202) 424-7645 (Fax)

Counsel to CTSI, Inc.

Dated: November 18, 1999

EXHIBITS

Exhibit 1	Articles of Incorporation
Exhibit 2	Certificate of Authority to Transact Business in Tennessee
Exhibit 3	Financial Qualifications
Exhibit 4	Managerial Qualifications
Exhibit 5	Small and Minority Owned Telecommunications Business Participation Plan
Exhibit 6	Rule Compliance Agreement
Exhibit 7	Local Exchange Tariff
Exhibit 8	Sample Customer Bill
Verification	

<u>Exhibit 1</u>

Articles of Incorporation

C O M M O N W E A L T H   O F   P E N N S Y L V A N I A

D E P A R T M E N T   O F   S T A T E

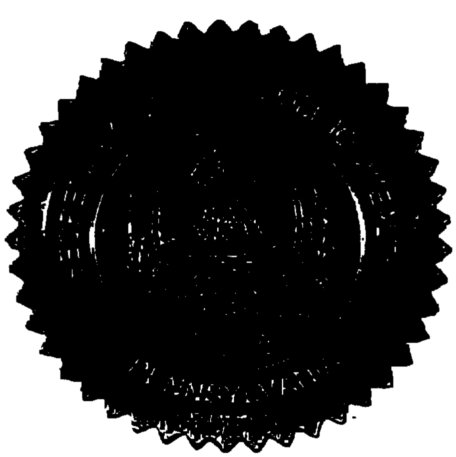
OCTOBER 01, 1999

TO ALL WHOM THESE PRESENTS SHALL COME, GREETING:

I DO HEREBY CERTIFY THAT,

CTSI, INC.

is duly incorporated under the laws of the Commonwealth of Pennsylvania and remains a subsisting corporation so far as the records of this office show, as of the date herein.



IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the Seal of the Secretary's Office to be affixed, the day and year above written.

Secretary of the Commonwealth

DPOS

Exhibit 2

Certificate of Authority to Transact Business in Tennessee

Secretary of State
Corporations Section
James K. Polk Building, Suite 1800
hville, Tennessee 37243-0306

DATE: 03/25/99
REQUEST NUMBER: 3654-2805
TELEPHONE CONTACT: (615) 741-2286
FILE DATE/TIME: 03/25/99 0938
EFFECTIVE DATE/TIME: 03/25/99 0938
CONTROL NUMBER: 0368231

TO:
CT CORP SYSTEM
1635 MARKET ST

PHILADELPHIA, PA 19103

RE:
CTSI, INC.
APPLICATION FOR CERTIFICATE OF AUTHORITY -
FOR PROFIT

WELCOME TO THE STATE OF TENNESSEE. THE ATTACHED CERTIFICATE OF AUTHORITY HAS BEEN FILED WITH AN EFFECTIVE DATE AS INDICATED ABOVE.

A CORPORATION ANNUAL REPORT MUST BE FILED WITH THE SECRETARY OF STATE ON OR BEFORE THE FIRST DATE OF THE FOURTH MONTH FOLLOWING THE CLOSE OF THE CORPORATION'S FISCAL YEAR. PLEASE PROVIDE THIS OFFICE WITH WRITTEN NOTIFICATION OF THE CORPORATION'S FISCAL YEAR. THIS OFFICE WILL MAIL THE REPORT DURING THE LAST MONTH OF SAID FISCAL YEAR TO THE CORPORATION AT THE ADDRESS OF ITS PRINCIPAL OFFICE OR TO A MAILING ADDRESS PROVIDED TO THIS OFFICE IN WRITING. FAILURE TO FILE THIS REPORT OR TO MAINTAIN A REGISTERED ENT AND OFFICE WILL SUBJECT THE CORPORATION TO ADMINISTRATIVE REVOCATION ITS CERTIFICATE OF AUTHORITY.

HEN CORRESPONDING WITH THIS OFFICE OR SUBMITTING DOCUMENTS FOR FILING, PLEASE REFER TO THE CORPORATION CONTROL NUMBER GIVEN ABOVE.

FOR: APPLICATION FOR CERTIFICATE OF AUTHORITY - FOR PROFIT   ON DATE: 03/25/99

FROM:
C T CORPORATION SYSTEM (PHILADELPHIA, PA
1635 MARKET STREET
SEVEN PENN CENTER
PHILADELPHIA, PA 19103-0000

	FEES	
RECEIVED:	$600.00	$0.00
TOTAL PAYMENT RECEIVED:		$600.00

RECEIPT NUMBER: 00002464012
ACCOUNT NUMBER: 00000020

Riley C. Darnell

RILEY C. DARNELL
SECRETARY OF STATE

FILED

RECEIVED

99 MAR 25 AM 9:0

SECRETARY OF STATE

APPLICATION FOR CERTIFICATE OF AUTHORITY FOR

CTSI, Inc.

To the Secretary of State of the State of Tennessee:

Pursuant to the provisions of Section 48-25-103 of the Tennessee Business Corporation Act, the undersigned corporation hereby applies for a certificate of authority to transact business in the State of Tennessee, and for that purpose sets forth:

1. The name of the corporation is CTSI, Inc.

If different, the name under which the certificate of authority is to be obtained is ____________.

[NOTE: The Secretary of State of the State of Tennessee may not issue a certificate of authority to a foreign corporation for profit if its name does not comply with the requirements of Section 48-14-101 of the Tennessee Business Corporation Act. If obtaining a certificate of authority under an assumed corporate name, an application must be filed pursuant to Section 48-14-101(d).]

2. The state or country under whose law it is incorporated is Pennsylvania

3. The date of its incorporation is February 20, 1997 (must be month, day, and year), and the period of duration, if other than perpetual, is ____________

4. The complete street address (including zip code) of its principal office is

100 CTE Drive, Dallas, Pennsylvania 18612

Street City State/Country Zip Code

5. The complete street address (including the county and the zip code) of its registered office in this state is

c/o C T Corporation System, 530 Gay Street, Knoxville, Tennessee, County of Knox 37902

Street City/State County Zip Code

The name of its registered agent at that office is

C T Corporation System

6. The names and complete business addresses (including zip code) of its current officers are: (Attach separate sheet if necessary.)

John D. Filipowicz, 105 Carnegie Center, Princeton, NJ 08540, Senior Vice President

Michael I. Gottdenker, 100 CTE Drive, Dallas, PA 18612, President & CEO

Timothy J. Stoklosa, 105 Carnegie Center, Princeton, NJ 08540, ...

John J. Jones, 105 Carnegie C...

7. T...

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X]ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the fiscal year ended December 31, 1998

[_]TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

COMMISSION FILE NO. 0-11053

COMMONWEALTH TELEPHONE ENTERPRISES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

PENNSYLVANIA	**23-2093008**
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	**(I.R.S. EMPLOYER IDENTIFICATION NO.)**

100 CTE DRIVE, DALLAS, PENNSYLVANIA 18612-9774
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER INCLUDING AREA CODE: 570-674-2700
SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT: None
SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

Common Stock, par value $1.00 per share
Class B Common Stock, par value $1.00 per share
(TITLE OF CLASS)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to

such filing requirements for the past 90 days. [X] Yes [_] No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Number of shares of the Registrant's Stock ($1.00 par value) outstanding at February 26, 1999

19,621,144 COMMON STOCK
2,460,355 CLASS B COMMON STOCK

Aggregate market value of Registrant's voting stock held by non-affiliates at February 26, 1999 computed by reference to closing price as reported by NASDAQ for Common Stock ($32.375 per share) and to the closing price as reported for Class B Common Stock ($31.00 per share), is as follows:

$328,762,233 COMMON STOCK
$39,379,114 CLASS B COMMON STOCK

DOCUMENTS INCORPORATED BY REFERENCE

1. Proxy Statement for 1999 Annual Meeting of Shareholders is incorporated by reference into Part I and Part III of this Form 10-K.

PART I

Item 1. Business

General

Commonwealth Telephone Enterprises, Inc. ("CTE" or "the Company"), consists primarily of Commonwealth Telephone Company ("CT"), which provides telephony service to approximately 276,000 access lines in rural parts of eastern Pennsylvania and CTSI, Inc. ("CTSI"), a Competitive Local Exchange Carrier ("CLEC"), which provides competitive telephony service to Tier II cities in geographically adjacent markets. The Company's other operations include Commonwealth Communications ("CC"), an engineering services business; epix(TM) Internet Services ("epix"), an Internet service provider; and Commonwealth Long Distance Company ("CLD"), a reseller of long-distance services.

CT benefits from a technologically advanced fiber-rich network, strong barriers to competition, favorable regulatory conditions and strong growth prospects. CT's market encompasses over 5,000 square miles in mountainous, rural Pennsylvania--a market that is protected from competition not only by its lack of concentration and low basic service rates, but also by regulatory hurdles to productive competition. CT's network has been upgraded to a 100% digital platform, facilitating the provisioning of vertical services and reducing operating costs. CT's access line growth rate of 6.9% between December 31, 1997 and December 31, 1998 has been fueled largely by an increase in residential second lines. Residential second line penetration increased from 14.5% at December 31, 1997 to 20.7% at December 31, 1998. CT believes it has good relationships with regulators and expects to benefit from recent developments in its regulatory position that will allow CT to implement basic service rate increases beginning in 1999 that are indexed to inflation, rather than the historical rate-of-return methodology. The Company believes that CT is less likely to face competition in its service area from alternate local exchange service providers due to several economic factors, including (i) the rural, low-density characteristics of its operating area, (ii) the high cost of entry to the market due to topography, (iii) the lack of concentration of medium and large business users and (iv) its competitive basic service rates. The Company further believes that CT's status as a Rural Telephone Company, which exempts it from many of the interconnection requirements of the Federal Telecommunications Act of 1996 (the "1996 Act"), provides a further barrier to competition.

CTSI, the Company's CLEC, formally commenced operations in 1997 and currently has over 43,000 access lines in service, of which over 90% are connected to the Company's switches and over 30% are served solely by the Company's own network. CTSI markets local and all distance telephone service and Internet access primarily to business customers in eastern Pennsylvania and southern New York state which are geographically adjacent to CT's service area. The target markets have a population density that is significantly greater than that of CT's markets. The Company believes that the geographical juxtaposition of these target markets with CT's service areas allows CTSI to effectively leverage CT's switching, billing and administrative infrastructure while also benefiting from the positive cash flow of CT, thereby enhancing CTSI's speed to market while reducing the risks typically associated with CLECs. The Company expects that modest penetration into CT's geographically adjacent markets will significantly increase the Company's combined access lines, revenue and future cash flow.

The Company's other businesses, CC, epix and CLD, offer a depth of expertise and products to the CT and CTSI customer base as well as create opportunities through cross-selling efforts. epix has 36,313 dial-up customers and also provides dedicated Internet access and website development and hosting services to business and residential customers. CLD serves as CT's and CTSI's long-distance service provider and also markets to and serves third parties. CC provides engineering design and consulting services primarily to external customers.

The following table reflects the development of installed access lines over the past five years:

	1994	1995	1996	1997	1998
CT access lines	218,737	227,235	240,255	258,803	276,644
CTSI access lines	--	--	804	18,018	43,422

The expansion and development of the Company's operations (including the construction and development of additional networks) will depend on, among other things, the Company's ability to assess markets, design fiber optic network backbone routes, install or lease fiber optic cable and other facilities, including switches, and obtain rights-of-ways and any required government authorizations and permits, all in a timely manner, at reasonable costs and on satisfactory terms and conditions.

Background

On September 30, 1997, C-TEC Corporation ("C-TEC") distributed 100 percent of the outstanding shares of common stock of its then wholly-owned subsidiaries, RCN Corporation ("RCN") and Cable Michigan, Inc. ("Cable Michigan") to holders of record of C-TEC's Common Stock, par value $1.00 per share ("Common Stock") and C-TEC's Class B Common Stock, par value $1.00 per share ("Class B Common Stock") as of the close of business on September 19, 1997 (the "Distribution") in accordance with the terms of a Distribution Agreement dated September 5, 1997 among C-TEC, RCN and Cable Michigan. RCN consisted primarily of C-TEC's bundled residential voice, video and Internet access operations in the Boston to Washington, D.C. corridor; its existing New York, New Jersey and Pennsylvania cable television operations; a portion of its long-distance operations and its international investment in Megacable, S.A. de C.V. Cable Michigan consisted of C-TEC's Michigan cable operations, including its 62% ownership in Mercom, Inc. ("Mercom"). In connection with the Distribution, C-TEC changed its name to Commonwealth Telephone Enterprises, Inc. and amended its articles of incorporation to effect a two-for-three reverse stock split.

COMMONWEALTH TELEPHONE COMPANY

CT provides a full range of high-quality, low-cost telephone and related services over a state-of-the-art network in a 19 county, 5,191 square mile service territory in Pennsylvania. As of December 31, 1998, CT provided service to approximately 276,000 access lines and was the 10th largest independent Local Exchange Carrier ("LEC") in the United States based on access lines. In addition to providing local telephone service, CT provides long-distance services and network access to inter-exchange (long-distance) carriers ("IXC's"). CT offers value-added calling features including call waiting and voice mail; advanced calling services such as return call, repeat call and call trace; and caller identification services such as caller ID, call block and selective call acceptance/rejection. CT also delivers complex communications services such as video conferencing and distance learning. epix allows CT to provide product packaging, including basic telephone and Internet access. Through epix, CT creates cross-promotional opportunities for second lines, business upgrades and residential service packages. CT has certain revenues that have been qualified as non-regulated; these primarily include telecommunications equipment sales and services and billing and collection services for IXC's. CT has consistently achieved positive earnings growth over the past five years. Its EBITDA and operating income margins for the year ended December 31, 1998 were its highest ever. CT's capital expenditures are met entirely through internally generated funds.

CT was one of the first telephone companies in the United States. CT's history includes a record of innovation and leadership in the telecommunications industry, including the following: (i) CT was the first U.S. telephone company to purchase a digital switch; (ii) CT was the first Pennsylvania telephone company to install a working fiber optic cable; (iii) CT was the first U.S. telephone company to deploy host/remote switching architecture (an efficient way of extending capacity from a central office); and (iv) CT was the first Pennsylvania local exchange carrier to become an ISP.

CT operates 79 exchanges, each serving an average of 3,502 lines and 66 square miles. Its access lines are approximately 76% residential and 24% business. CT's business customer base is diverse in size as well as industry, with little concentration. The ten largest business customers combined accounted for 2.0% of 1998 total revenue, with the largest single customer accounting for 0.5%. Due to the rural, low-density characteristics of its operating area, the high cost of entry to the market due to topography, the lack of large business users and its low basic service rates, CT believes that compared to most other LECs, it is less likely to face competition in its existing service area from new local exchange service providers.

CT owns and maintains all of its facilities, including a state-of-the-art network featuring 100% digital switching, a modern service center and 100% interoffice fiber connectivity. CT's fully digital switching results in lower maintenance costs and greater speed to market for new products and services. In addition, the network is efficiently designed in a consolidated host switching architecture which allows multiple remote switching access for shared software and featuring functionality. The outside plant features approximately 70-80% gel filled cable, with the remainder comprised of air core cable.

CT's network architecture positions it well for additional broadband service deployment. One hundred percent of the interoffice trunking is on fiber optic facilities. CT has 1,402 miles of fiber distribution facilities that are 97% aerial construction. This technology provides CT with extensive capacity and bandwidth in outside plant facilities.

All of CT's customers have full access to multiple long-distance carriers, and daily toll message polling is performed by a centralized computer. Messages are transported out of CT's territory in an SS7 signaling format, and the equipment to provide SS7 capability is redundant to protect this valuable toll revenue stream. SS7 technology is a universal, high-speed link connecting CT's network with other networks and allows for high margin products such as caller ID and caller ID with name.

CT has installed sophisticated operating support systems to complement its network. The service center operation is supported by: (i) a mainframe service order, billing and collections system; (ii) a NORTEL Private Branch Exchange ("PBX") with adjunct automated call distribution systems to monitor demand and forecast future call loads; and (iii) a combination of PC and mainframe software for automated cable assignment systems and the Centralized Automated Loop Repair System ("CALRS") which performs trouble reporting and testing. At the heart of the network is a Network Control Center which provides for network surveillance 365 days a year, 24 hours a day. Every CT switched and toll fiber route is monitored, as well as the ISP network and CT customer PBXs.

This combination of systems allows CT to be a low cost, high quality provider of services. The network allows for uniform service provisioning and universal availability of calling features and voice mail. It also allows for the rapid development of new advanced calling services such as return call, repeat call, call trace and caller identification services such as caller ID, call block and selective call acceptance/rejection. In addition, the network supports complex services such as video conferencing, distance learning and the epix Internet service.

Commonwealth Telephone Company has consistently performed best among the top local exchange carriers in Pennsylvania relative to its commitment to outstanding customer service. With extremely low justified complaint rates and fast responses to consumer complaints, Commonwealth Telephone Company has been recognized as most effective in handling sensitive customer service issues in 7 of the last 9 years, based on Pennsylvania Public Utility Commission ("Pennsylvania PUC") data.

Regulation

CT expects to benefit from recent developments in its regulatory position, including the approval by the Pennsylvania Public Utility Commission of CT's Petition for Alternative Regulation and Network Modernization Plan, which will allow CT to implement rate increases, beginning in 1999, that are indexed to inflation rather than the traditional rate-of-return methodology. The Pennsylvania PUC has also confirmed CT's status as a Rural Telephone Company under the Federal Telecommunications Act of 1996 (the "1996 Act"), which provides CT with relief from interconnection requirements unless the requesting party is able to prove to the Pennsylvania PUC that interconnection is in the public interest. Under its alternative regulation plan approved in 1997, CT is protected by an exogenous event provision that recognizes and accounts for any state/federal regulatory or legislative changes that affect revenues or expenses.

On March 26, 1998, CT received approval of a rate re-balancing settlement filed before the Pennsylvania PUC. Effective April 1, 1998, CT was authorized to shift on a revenue-neutral basis, approximately $6,100,000 in annual revenue onto local telephone rates. Offsetting this increase to local service revenue were corresponding decreases in inter-exchange carrier access charges, the elimination or reduction of certain optional services (elimination of business touch tone charges, lowered custom calling rates for both residential and business customers) and the expansion of local calling areas. CT was also afforded the opportunity to upgrade all multi-party ("party line") service to single-party service. This rate rebalancing was the first major change affecting CT's local service rate structure in twenty years. CT is the largest incumbent local exchange carrier in Pennsylvania to successfully re-balance telephone rates.

CT is subject to the jurisdiction of the Federal Communications Commission ("FCC") with respect to interstate rates, services, access charges and other matters, including the prescription of a uniform system of accounts (interstate services, for the purpose of determining FCC jurisdiction, are communications that originate in one state and terminate in another state or foreign country). The FCC also prescribes the principles and procedures (referred to as separations procedures) used to separate investments, revenues, expenses, taxes and reserves between the interstate and intrastate jurisdictions. In addition, the FCC has adopted accounting and cost allocation rules for the separation of costs of regulated and non-regulated telecommunications services for interstate ratemaking purposes.

The FCC instituted a rulemaking in 1998 to amend access charge rules for rate-of-return Local Exchange Carriers ("LECs"). The FCC's proposal includes the modification of LEC transport rate structure, the reallocation of costs in the transport interconnection charge and amendments to reflect changes necessary to implement universal service. This rulemaking is an outstanding issue at the FCC. Therefore, it is not possible to determine the impacts, if any, on CT's results of operations.

Also in 1998, the FCC began a proceeding to consider a review of the FCC's authorized rate-of-return for the interstate access services provided by approximately 1,300 LECs, including CT. The FCC will determine if the prevailing rate corresponds to current market conditions. A decision is possible in 1999.

Competition

CT operates primarily as a monopoly service provider in its service area, and accordingly, faces only limited direct competition, mostly in its local (intraLATA) toll business. Like other LECs, CT faces some competition from long-distance providers of intraLATA toll services (primarily the large IXCs) and dedicated access services from competitive access providers ("CAPs"). As is the case generally with incumbent LECs, CT's local exchange business is not legally protected against competitive entry (although CT's status as a Rural Telephone Company provides it some relief from the interconnection obligations imposed on larger LECs). In addition, CT also faces, and will continue to face, competition from other current and potential market entrants, including CLECs, IXCs, cable television companies, electric utilities, microwave carriers, wireless telecommunications providers, Internet service providers and private networks built by large end users. However, due to the rural, low- density characteristics of its operating area, the high cost of entry to the market, the lack of large business customers and its low basic service rates, CT believes that compared to most other LECs, it is less likely to face competition in its existing service area.

CTSI

CTSI, which formally commenced operations in 1997, is a CLEC operating in geographically adjacent markets to CT's service area. CTSI is a full-service provider offering bundled local, all distance telephone, vertical services and Internet access. As of December 31, 1998, CTSI had installed 43,422 access lines.

CTSI seeks to take advantage of CT's proximity to more densely populated larger communities that are located adjacent to CT's service area. This population is concentrated in secondary cities with much higher densities than CT's current territory. In these adjacent, second tier markets, the Company estimates that there are over one million additional access lines. Through CTSI, the Company believes that it has the opportunity to achieve strong revenue growth with only a relatively small penetration into these areas. The Company believes that CTSI has several competitive advantages, including: (i) the ability to utilize the expertise, experience, network and positive cash flow of the Company, (ii) the ability to bundle services (local, all distance telephone, vertical services and Internet); (iii) the simplicity of one bill, a single point of contact and flat rates (local calls and long- distance); and (iv) 5-10% savings compared to similar LEC offerings.

Initially, CTSI's business plan is based on the physical extension of CT's existing infrastructure. To access markets adjacent to CT's service area, CTSI is building a series of fiber optic loops. CTSI provides services via remote switches linked to CT's central offices, which allows for speed to market. CTSI has focused its initial marketing efforts primarily on business customers and on the concept of success based capital spending, whereby capital is committed based upon demonstrable customer demand. Currently, CTSI serves five "edge-out" regional markets: Wilkes-Barre/Scranton, PA; Harrisburg, PA; Lancaster/Reading, PA; Binghamton, NY; and most recently Southeastern Pennsylvania's Bucks, Chester and Montgomery counties.

Due to the 1996 Act, all LECs, including Bell Atlantic, the primary LEC in the service areas initially targeted by CTSI, are required to: (i) permit resale of their service; (ii) provide number portability; (iii) provide dialing parity; (iv) provide access to their facilities; and (v) establish reciprocal compensation arrangements with other carriers for transporting and terminating each other's traffic. This enabling legislation permits CTSI to compete effectively with the larger LECs. CTSI has interconnection and resale agreements with Bell Atlantic and is currently located in 23 Bell Atlantic offices. In addition, CTSI has a limited interconnection agreement with GTE Corporation. The Bell Atlantic agreements are subject to renegotiation in 1999, which may result in changes to CTSI's cost of doing business.

Although CTSI's initial customer focus is on business customers, it is also extending its service to certain specific, high density, relatively affluent residential enclaves adjacent to its existing facilities. In these enclaves, CTSI is offering several bundled packages of local and all distance telephone, vertical services and Internet.

Regulation

Telecommunications services provided by CTSI and its networks are subject to regulation by federal, state and local government agencies. At the federal level, the FCC has jurisdiction over interstate services, including access charges as well as long-distance services. CTSI's rates, terms and conditions of service are filed with the FCC in tariffs and are subject to the FCC's complaint jurisdiction, but are not otherwise reviewed or prescribed by the FCC. State regulatory commissions exercise jurisdiction over intrastate service (including basic local exchange service and in-state toll services). Although specific regulatory requirements and practices vary from state to state, CTSI's rates and services are generally subject to much less regulatory scrutiny than those of incumbent LECs. CTSI currently offers local services pursuant to tariffs filed with the Pennsylvania and New York commissions, and has authority to offer such services in Maryland. Additionally, municipalities and other local government agencies may regulate limited aspects of CTSI's business, such as its use of rights-of-way.

ILECs around the country have been contesting whether the obligation to pay reciprocal compensation to CLECs should apply to local telephone calls from an ILEC's customers to Internet service providers served by CLECs. The ILECs claim that this traffic is interstate in nature and therefore should be exempt from compensation arrangements applicable to local, intrastate calls. CLECs have contended that the interconnection agreements provide no exception for local calls to Internet service providers and reciprocal compensation is therefore applicable. Currently, over 25 state commissions and several federal and state courts have ruled that reciprocal compensation arrangements do apply to calls to Internet service providers ("ISPs"), and no jurisdiction has ruled to the contrary. Certain of these rulings are subject to appeal. Additional disputes over the appropriate treatment of ISP traffic are pending in other states.

On February 26, 1999, the FCC released a Declaratory Ruling determining that ISP traffic is interstate for jurisdictional purposes, but that its current rules neither require nor prohibit the payment of reciprocal compensation for such calls. In the absence of a federal rule, the FCC determined that state commissions have authority to interpret and enforce the reciprocal compensation provisions of existing interconnection agreements and to determine the appropriate treatment of ISP traffic in arbitrating new agreements. The FCC also requested comment on alternative federal rules to govern compensation for such calls in the future. The Company's current interconnection agreements with Bell Atlantic have been interpreted by the state commissions in both Pennsylvania and New York to require payment of reciprocal compensation on ISP calls, although Bell Atlantic has asked the New York commission to reopen its proceeding and alter this interpretation in response to the FCC ruling. The Company's current interconnection agreements expire in the second half of 1999, and the Company cannot offer any assurance that the reciprocal compensation terms in future agreements will be favorable to the Company's interests. During 1998, CTSI recorded approximately $1,049,000 for reciprocal compensation revenues associated with ISP traffic.

Competition

The markets serviced by CTSI are extremely competitive. The services offered by CTSI in each market compete principally with the services offered by the incumbent LEC serving that area, primarily Bell Atlantic. Incumbent LECs have relationships with their customers, have the potential to subsidize services from their monopoly service revenues and benefit from favorable state and federal regulations. The incumbent LECs are generally larger and better financed than CTSI. In light of the passage of the 1996 Act and recent concessions by some of the Regional Bell Operating Companies ("RBOCs"), federal and state regulatory initiatives will provide increased business opportunities to CLECs, but incumbent LECs may obtain increased pricing flexibility for their services as competition increases. If, in the future, incumbent LECs are permitted by regulators to lower their rates substantially, engage in significant volume and term discount pricing practices for their customers, or charge CLECs significantly higher fees for interconnection to the incumbent LECs' networks, CTSI's competitive position would be adversely affected. For example, the FCC is considering a petition filed by incumbent LECs, including Bell Atlantic, which would provide additional flexibility to offer broadband data services through a separate subsidiary on a deregulated basis. Bell Atlantic is also seeking authority pursuant to Section 271 of the 1996 Act to offer long-distance services to its Pennsylvania customers along with local services. If approved by the FCC, this could allow Bell Atlantic to offer more attractive service packages to compete with CTSI's offerings.

CTSI also faces, and will continue to face, competition from other current and potential market entrants, including other CLECs, IXCs, cable television companies, electric utilities, microwave carriers, wireless telecommunications providers, Internet service providers and private networks built by large end users. A number of markets served by the Company already are served by one or more CLECs including NEXTLINK Communications, Inc. and Hyperion Telecommunications, Inc. Competition from CLECs and other companies is expected to increase in the future.

OTHER OPERATIONS

Commonwealth Communications

Commonwealth Communications ("CC") provides telecommunication engineering and technical services and designs, installs and manages telephone systems for corporations, hospitals and universities located principally in Pennsylvania. CC initially provided services only to the Company and its affiliates. Since 1989, however, CC has also provided such services to third parties. CC derives the majority of its revenues from unrelated third parties.

CLD

Since 1990, the Company's wholly-owned subsidiary, CLD, has conducted the business of providing long-distance telephone services (the "Long Distance Business"). Through a wholesale agreement with RCN Long Distance Company, CLD provides long-distance services to CT's and CTSI's customers. The Long Distance Business primarily represents that portion of the Company's long- distance operations that relate to customers in CT's service area. The remainder of the Company's long-distance operations were distributed to the Company's shareholders as a subsidiary of RCN Corporation.

epix(TM) Internet Services

epix, founded in 1994, is the Company's Internet service provider. epix primarily provides dial-up Internet access (36,313 customers at December 31, 1998) at a flat rate for residential users, and also provides full-period access for business users and associated services such as web page hosting.

RELATIONSHIP AMONG CTE, RCN AND CABLE MICHIGAN

The Distribution Agreement defines certain aspects of the relationship among CTE, RCN and Cable Michigan and provides for the allocation of certain assets and liabilities among CTE, RCN and Cable Michigan. CTE, RCN and Cable Michigan have also entered into a Tax Sharing Agreement dated as of September 5, 1997 (the "Tax Sharing Agreement") to define certain aspects of their relationship with respect to taxes and to provide for the allocation of tax assets and liabilities.

INDEMNIFICATION

RCN, Cable Michigan and CTE have agreed to indemnify one another against certain liabilities. RCN has agreed to indemnify CTE and its subsidiaries at the time of the Distribution (collectively, the "CTE Group") and the respective directors, officers, employees and Affiliates of each Person in the CTE Group (collectively, the "CTE Indemnitees") and Cable Michigan and its subsidiaries at the time of the Distribution (collectively, the "Cable Michigan Group") and the respective directors, officers, employees and Affiliates of each Person in the Cable Michigan Group (collectively, the "Cable Michigan Indemnitees") from and against any and all damage, loss, liability and expense ("Losses") incurred or suffered by any of the CTE Indemnitees or the Cable Michigan Indemnitees, respectively, (i) arising out of, or due to the failure of RCN or any of its subsidiaries at the time of the Distribution (collectively, the "RCN Group") to pay, perform or otherwise discharge any of the RCN Liabilities (as defined below); (ii) arising out of the breach by any member of the RCN Group of any obligation under the Distribution Agreement or any of the other Distribution Documents and (iii) in the case of the CTE Indemnitees arising out of the provision by the CTE Group of the services described below to the RCN Group except to the extent that such Losses result from the gross negligence or willful misconduct of a CTE Indemnitee. "RCN Liabilities" refers to (i) all liabilities of the RCN Group under the Distribution Agreement or any of the other distribution documents, (ii) all other liabilities of Cable Michigan, RCN or CTE (or their respective subsidiaries), except as specifically provided in the Distribution Agreement or any of the other Distribution Documents and whether arising before, on or after the Distribution Date to the extent such liabilities arise primarily from or relate primarily to the management or conduct of the RCN Businesses prior to the effective time of the Distribution (the liabilities in clauses (i) and (ii) collectively, the "True RCN Liabilities") and (iii) 30% of the Shared Liabilities (as defined below).

Cable Michigan has agreed to indemnify the RCN Group and the respective directors, officers, employees and Affiliates of each Person in the RCN Group (collectively, the "RCN Indemnitees") and the CTE Indemnitees from and against any and all Losses incurred or suffered by any of the RCN Indemnitees or the CTE Indemnitees, respectively, (i) arising out of, or due to the failure of any Person in the Cable Michigan Group to pay, perform or otherwise discharge any of the Cable Michigan Liabilities (as defined below), (ii) arising out of the breach by any member of the Cable Michigan Group of any obligation under the Distribution Agreement or any of the other distribution documents, (iii) in the case of the CTE Indemnitees, arising out of the provision by the CTE Group of services to the Cable Michigan Group except to the extent that such Losses result from the gross negligence or willful misconduct of a CTE Indemnitee and (iv) in the case of the RCN Indemnitees, arising out of the provision by RCN of the services described below to the Cable Michigan Group except to the extent that such Losses result from the gross negligence or willful misconduct of an RCN Indemnitee. "Cable Michigan Liabilities" refers to (i) all liabilities of the Cable Michigan Group under the Distribution Agreement or any of the other distribution documents, (ii) all other liabilities of Cable Michigan, RCN or CTE (or their respective subsidiaries), except as specifically provided in the Distribution Agreement or any of the other Distribution Documents and whether arising before, on or after the Distribution Date, to the extent such liabilities arise primarily from or relate primarily to the management or conduct of the business of the Cable Michigan Group prior to the effective time of the Distribution (the liabilities in clauses (i) and (ii) collectively, the "True Cable Michigan Liabilities") and (iii) 20% of the Shared Liabilities (as defined below).

CTE has agreed to indemnify the Cable Michigan Indemnitees and the RCN Indemnitees from and against any and all Losses incurred or suffered by any of the Cable Michigan Indemnitees or the RCN Indemnitees, respectively, (i) arising out of, or due to the failure of any Person in the CTE Group to pay, perform or otherwise discharge any of the CTE Liabilities (as defined below), (ii) arising out of the breach by any member of the CTE Group of any obligation under the Distribution Agreement or any of the other Distribution Documents and (iii) in the case of the RCN Indemnitees, arising out of the provision by RCN of the services described below to the CTE Group except to the extent that such Losses result from the gross negligence or willful misconduct of an RCN Indemnitee. "CTE Liabilities" refers to (i) all liabilities of the CTE Group under the Distribution Agreement or any of the other Distribution Documents, (ii) all other liabilities of Cable Michigan, RCN or CTE (or their respective subsidiaries), except as specifically provided in the Distribution Agreement or any of the other Distribution Documents and whether arising before, on or after the Distribution Date, to the extent such liabilities arise primarily from or relate primarily to the management or conduct of the business of the CTE Group prior to the effective time of the Distribution (the liabilities in clauses (i) and (ii) collectively, the "True CTE Liabilities") and (iii) 50% of the Shared Liabilities (as defined below).

"Shared Liability" means any liability (whether arising before, on or after the Distribution Date) of Cable Michigan, RCN or CTE or their respective subsidiaries which (i)(a) arises from the conduct of the corporate overhead function with respect to CTE and its subsidiaries prior to the effective time of the Distribution with certain exceptions or (b) is one of certain fees and expenses incurred in connection with the Restructuring and (ii) is not a True CTE Liability, a True RCN Liability or a True Cable Michigan Liability.

RCN, Cable Michigan and CTE have also generally agreed to indemnify each other and each other's affiliates and controlling persons from certain liabilities under the securities laws in connection with certain information provided to shareholders in connection with the Distribution.

The Distribution Agreement also includes procedures for notice and payment of indemnification claims and provides that the indemnifying party may assume the defense of claims or suits brought by third parties for non-Shared Liabilities and may participate in the defense of claims or suits brought by third parties for Shared Liabilities. RCN is entitled to assume the defense of claims or suits brought by third parties for Shared Liabilities. Any indemnification paid under the foregoing indemnities is to be paid net of the amount of any insurance or other amounts that would be payable by any third party to the indemnified party in the absence of such indemnity.

The Company does not believe that any of the foregoing indemnities will have a material adverse effect on the business, financial condition or results of operations of the Company.

Employee Matters

Under the Distribution Agreement, RCN, Cable Michigan and CTE agreed generally to assume employee benefits-related liabilities with respect to its current, and in some cases, former employees.

Transitional Services and Agreements

RCN has agreed to provide or cause to be provided to the CTE Group certain specified services (management services) for a transitional period after the Distribution. The transitional services to be provided are the following: (i) accounting, (ii) payroll, (iii) management supervision, (iv) cash management, (v) human resources and benefit plan administration, (vi) insurance administration, (vii) legal, (viii) tax, (ix) internal audit and (x) other miscellaneous administrative services. The fee per year for these services was 3.5% of the first $175 million of revenue of the CTE Group and 1.75% of any additional revenue. The total fee for 1998 and 1997 was approximately $7,016,000 and $8,283,000, respectively.

During 1998, certain transitional services were transferred to CTE from RCN. The Company anticipates the majority of the remaining services to be transitioned to CTE by the end of 1999.

CTE has agreed to provide or cause to be provided to the RCN Group and the Cable Michigan Group financial data processing applications, lockbox services, storage facilities, LAN and WAN support services, building maintenance and other miscellaneous administrative services for a transitional period after the Distribution. The fees for such services and arrangements will be an allocated portion (based on relative usage) of the cost incurred by the Company to provide such services and arrangements. Subsequent to the sale of Cable Michigan to Avalon Cable of Michigan, Inc., CTE will continue to provide interim lockbox services to Avalon Cable of Michigan, Inc. until March 31, 1999 unless extended by either party.

The nature, scope and timing of the foregoing services are to be substantially consistent with the nature, scope and timing of the service provider's services prior to the Distribution, provided that the service provider shall not be obligated to hire additional or replacement employees, or increase the compensation of its existing employees, in order to provide the services. The services are to commence on the Distribution Date and will terminate upon 60 days notice by either the service provider or the relevant service recipient. A service recipient may also terminate individual services by giving 60 days notice to the applicable service provider.

The aforementioned arrangements are not the result of arm's length negotiation between unrelated parties as CTE, RCN and Cable Michigan have certain common officers and directors. Although the transitional service arrangements in such agreements are designed to reflect arrangements that would have been agreed upon by parties negotiating at arm's length, there can be no assurance that the Company would not be able to obtain similar services at a lower cost from unrelated third parties. Additional or modified agreements, arrangements and transactions may be entered into between the Company and either or both of RCN and Cable Michigan after the Distribution, which will be negotiated at arm's length.

Miscellaneous

There exist relationships among CTE, RCN and Cable Michigan (prior to November 6, 1998) that may lead to conflicts of interest. Each of CTE and RCN is effectively controlled by Level 3 Telecom. In addition, the majority of the directors and/or executive officers of CTE and RCN also hold one or more offices at other Group companies. See "Item 10: Directors and Executive Officers of the Registrant." The success of the Company may be affected by the degree of involvement of its officers and directors in the Company's business and the abilities of the Company's officers, directors and employees in managing both the Company and the operations of RCN. Potential conflicts of interest will be dealt with on a case-by-case basis taking into consideration relevant factors including the requirements of NASDAQ and prevailing corporate practices.

Tax Sharing Agreement

The Tax Sharing Agreement governs contingent tax liabilities and benefits, tax contests and other tax matters with respect to tax returns filed with respect to tax periods, in the case of RCN and Cable Michigan, ending or deemed to end on or before the Distribution Date. Under the Tax Sharing Agreement, Adjustments (as defined in the Tax Sharing Agreement) to taxes that are clearly attributable to the Cable Michigan Group, the RCN Group or the CTE Group will be allocated solely to such group. Adjustments to all other tax liabilities will generally be allocated 50% to CTE, 20% to Cable Michigan and 30% to RCN.

Employees

The Company employed a total of 1,312 employees as of December 31, 1998.

As of December 31, 1998, approximately 38% of CTE employees were covered under collective bargaining agreements. On February 21, 1999, Commonwealth Telephone Company bargaining employees (34% of CTE employees) ratified a new labor contract with the Communications Workers of America that will remain in effect until November 30, 2002.

Item 2. Properties

The property of CTE consists principally of central office equipment, telephone lines, telephone instruments and related equipment, and land and buildings related to telephone operations. This plant and equipment is maintained in good operating condition for CT and CTSI operations. The properties of CT are subject to mortgage liens held by the National Bank for Cooperatives. CTE owns substantially all of its central office buildings, administrative buildings, warehouses and storage facilities. All of the telephone lines are located either on private or public property. Locations on private land are by easements or other arrangements.

Item 3. Legal Proceedings

On February 8, 1999, the Company redeemed the shares of its Preferred Stock Series A and Preferred Stock Series B at their stated value. This was pursuant to a settlement agreement between the Company and the Yee Family Trusts with respect to the action filed on September 30, 1997 by the Yee Family Trusts as holders of the Company's Preferred Stock Series A and Preferred Stock Series B. The Yee Family Trusts have dismissed with prejudice the action against all defendants, including the Company, RCN Corporation and Cable Michigan, Inc.

In the normal course of business, there are various legal proceedings outstanding, including both commercial and regulatory litigation. In the opinion of management, these proceedings will not have a material adverse effect on the results of operations or financial condition of the Company.

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Shareholders was held on May 14, 1998. Matters submitted to and approved by Shareholders included:

1) The election of the following Directors to serve for a term of three years:

Nominee

Michael I. Gottdenker Frank M. Henry Eugene Roth John J. Whyte

The terms of the following directors continued after the meeting: David C. McCourt, David C. Mitchell, Daniel E. Knowles, Walter Scott, Jr., James Q. Crowe, Richard R. Jaros, Stuart E. Graham, Michael J. Mahoney and Bruce C. Godfrey.

2) The ratification of the selection of PricewaterhouseCoopers, LLP as the Company's independent auditors for the year ending December 31, 1998:

For	Against	Abstain
36,617,692	105,248	6,843

EXECUTIVE OFFICERS OF THE REGISTRANT

Pursuant to General Instructions G(3) of Form 10-K, the following list is included as an un-numbered Item in Part I of this Report in lieu of being included in the definitive proxy statement relating to the Registrant's Annual Meeting of Shareholders to be filed by Registrant with the Commission pursuant to Section 14 (A) of the Securities Exchange Act of 1934 (the "1934 Act").

Executive Officers of the Registrant

David C. McCourt............................	42	Chairman of the Board of Directors and Director of the Company since October 1993; Chief Executive Officer of RCN and Director of RCN since September 1997; Chief Executive Officer of the Company from October 1993 to December 1998; Director, Chairman and Chief Executive Officer of Cable Michigan from September 30, 1997 to

November 1998; President, Chief Executive Officer and Director of Level 3 Telecom Holdings, Inc. formerly Kiewit Telecom Holdings, Inc.; Chairman, Chief Executive Officer and Director of Mercom from October 1993 to November 1998; Director of MFS Communications Company, Inc. from July 1990 to December 1996; President and Director of Metropolitan Fiber Systems/McCourt, Inc., a subsidiary of MFS Telecom, Inc., since 1988; Director of Cable Satellite Public Affairs Network ("C-SPAN") since June 1995; Director of WorldCom, Inc. from December 1996 to March 1998; and Director of Kiewit Diversified Group, Inc., now Level 3 Communications, Inc., since August 1997.

Michael I. Gottdenker........................	34	Director, President and Chief Executive Officer of the Company since December 1998; Director, President and Chief Operating Officer of the Company from September 1997 to December 1998; Executive Vice President of the Company from September 1995 to September 1997; Executive Vice President of Commonwealth Communications from August 1996 to September 1997; Vice President of New Business Development at Revlon Consumer Products Corporation ("Revlon") from 1994 to 1995; General Manager of Revlon's State Beauty Supply from 1993 to 1994; Director of Corporate Finance for Revlon from 1992 to 1993; Associate, Real Estate Finance Department at Salomon Brothers Inc from 1988 to 1991; and Financial Analyst, Corporate Finance Department at Salomon Brothers Inc from 1986 to 1988.
John Butler	37	Executive Vice President and Chief Financial Officer of the Company since October 1998; Director (last position held)--Media and Communications Finance Group of First Union Capital Markets from September 1994 to October 1998; Assistant Vice President--Utility Banking Group of CoBank from June 1992 to September 1994; Assistant Vice President (last position held) --Communications Companies Division of The First National Bank of Chicago from June 1989 to May 1992; Senior Accountant for Arthur Andersen and Company from June 1984 to August 1987.
James DePolo.	54	Executive Vice President of the Company and CT since September 1997; Executive Vice President of CTSI since July 1998; senior management positions at Metropolitan Fiber Systems, Inc. (MFS) from 1994 to 1997, including Division President--MFS Intelenet, President--Realcom, and Vice President of Sales and Operations--UUNet; senior management positions at Sprint Communications from 1985 to 1993, including Vice President and General Manager--Alternate Channels, Vice President of Marketing--Western Business Market Group, Vice President of Strategic Marketing, Vice President and General Manager--West Division and Vice President of Sales & Marketing--West Division; Director of Engineering, Marketing and Sales--West Division for Satellite Business Systems from 1983 to 1985.

John J. Jones	32	Executive Vice President, General Counsel and Corporate Secretary of the Company and RCN since July 1998; Vice President, General Counsel and Corporate Secretary of Designer Holdings, Ltd. from January 1996 to December 1997; Private law practitioner at the law firm Skadden, Arps, Slate, Meagher & Flom from September 1991 to August 1995.
Rita M. Brown	46	Vice President and General Manager Commonwealth Communications since October 1998; Vice President of Network Services of Commonwealth Telephone Company from February 1996 to October 1998; other management positions at Commonwealth Telephone Company from 1973 to February 1996, including Director of Network Services.
Donald P. Cawley	40	Vice President and Controller of the Company since September 1997; Vice President and Controller of Commonwealth Telephone Company since February 1996; and Controller of Commonwealth Telephone Company from March 1992 to February 1996.
Stuart L. Kirkwood	45	Vice President of Technology of the Company since February 1998; Vice President of New Business Development for Commonwealth Communications from July 1996 to February 1998; and Vice President of Operations for Commonwealth Communications from January 1991 to July 1996.
Michael Loftus	50	Vice President of New Business Development of the Company since October 1998; Vice President of CC from September 1997 to October 1998; Vice President of Operations of Commonwealth Communications from March 1997 to September 1997 and Operations Manager from September 1996 to March 1997; City Manager/Director of Operations of Realcom Office Communications, Inc. from December 1994 to September 1996; Operations Officer for the United States Marine Corps from February 1994 to November 1994; and General Manager of Binder Group Enterprises, Inc. from November 1990 to January 1994.
James F. Samaha	33	Vice President of Finance of the Company since April 1998; senior management positions at TCG, Inc. from 1993 to 1998 including Director of Corporate Development and Manager of Operations.
David G. Weselcouch	43	Vice President of Investor Relations of the Company since March 1998; Director--Investor Relations of GTE Corporation from 1993 to 1998; Manager--Capital Markets Development and Administration of GTE Corporation from 1989 to 1993; Administrator--Financial Strategies of GTE Corporation from 1988 to 1989.
Gary Zingaretti	34	Vice President of Industry Relations of the Company since September 1997; Vice President--Regulatory of ICORE, Inc., a telecommunications consulting firm, from August 1996 to September 1997; and Manager of Revenue of the Company from February 1992 to August 1996.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SHAREHOLDER MATTERS

The Company's Common Stock is traded on the NASDAQ National Market (Symbol:CTCO); the Company's Class B Common Stock is traded on the NASDAQ SmallCap Market (Symbol:CTCOB).

There were approximately 1,268 holders of Registrant's Common Stock and 348 holders of Registrant's Class B Common Stock on February 26, 1999. The Company has maintained a no cash dividend policy since 1989. The Company does not intend to alter this policy in the foreseeable future. Other information required under Item 5 of Part II is set forth in Note 18 to the Consolidated Financial Statements included in Part IV Item 14(a)(1) of this Form 10-K.

On October 28, 1998, the Company completed a Stock Rights Offering of 3,678,612 shares of Common Stock. Shareholders of record at the close of business on September 25, 1998 received one transferable subscription right for every five shares of Common Stock or Class B Common Stock held. Rights holders were permitted to purchase one share of Common Stock for each right held at a subscription price of $21.25 per share. Each right also carried the right to "oversubscribe" at the subscription price for shares of Common Stock that were not purchased pursuant to the initial exercise of rights. The available shares were allocated to the holders exercising the oversubscription privilege pro rata based on the number of shares requested.

Level 3 Telecom Holdings, Inc. which owned approximately 48% of the outstanding Common Stock and 49% of the outstanding Class B Common Stock prior to the Rights Offering, exercised the 1,776,065 rights it received in respect of the shares it held.

At the Company's annual shareholders' meeting on October 1, 1997, the shareholders approved an amendment to the Company's Articles of Incorporation, as amended, to effect a two-for-three reverse stock split (the "Reverse Stock Split") of the Common Stock and the Class B Common Stock. The Reverse Stock Split was effective as of the close of business on October 9, 1997. Pursuant to the Reverse Stock Split, every three shares of Common Stock were converted into two shares of Common Stock and every three shares of Class B Stock were converted into two shares of Class B Stock. All share and per share data, stock option data and market prices of the Company's Common Stock have been restated to reflect this Reverse Stock Split. Other information required under Item 5 of Part II is set forth in Note 18 to the Consolidated Financial Statements included in Part IV Item 14(a)(1) of this Form 10-K.

ITEM 6. SELECTED FINANCIAL DATA

Information required under Item 6 of Part II is set forth in Part IV Item 14(a)(1) of this Form 10-K.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Information required under Item 7 of Part II is set forth in Part IV Item 14(a)(1) of this Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and supplementary data required under Item 8 of Part II are set forth in Part IV Item 14 (a)(1) of this Form 10-K.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

During the two years preceding December 31, 1998, there has been neither a change of accountants of the Registrant nor any disagreement on any matter of accounting principles, practices or financial statement disclosure.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required under Item 10 of Part III with respect to the Directors of Registrant is set forth in the definitive proxy statement relating to Registrant's Annual Meeting of Shareholders to be filed by the Registrant with the Commission pursuant to Section 14(a) of the 1934 Act and is hereby specifically incorporated herein by reference thereto.

The information required under Item 10 of Part III with respect to the executive officers of the Registrant is set forth at the end of Part I hereof.

ITEM 11. EXECUTIVE COMPENSATION

The information required under Item 11 of Part III is set forth in the definitive proxy statement relating to Registrant's Annual Meeting of Shareholders to be filed by the Registrant with the Commission pursuant to Section 14 (a) of the 1934 Act, and is hereby specifically incorporated herein by reference thereto.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required under Item 12 of Part III is included in the definitive proxy statement relating to Registrant's Annual Meeting of Shareholders to be filed by Registrant with the Commission pursuant to Section 14 (a) of the 1934 Act, and is hereby specifically incorporated herein by reference thereto.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required under Item 13 of Part III is included in the definitive proxy statement relating to Registrant' Annual Meeting of Shareholders to be filed by Registrant with the Commission pursuant to Section 14 (a) of the 1934 Act, and is hereby specifically incorporated herein by reference thereto.

PART IV

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

ITEM 14. (A)(1) FINANCIAL STATEMENTS

Consolidated Statements of Operations for Years Ended December 31, 1998, 1997 and 1996 Consolidated Statements of Cash Flows for Years Ended December 31, 1998, 1997 and 1996 Consolidated Balance Sheets--December 31, 1998 and 1997 Consolidated Statements of Changes in Common Shareholders' Equity for Years Ended December 31, 1998, 1997 and 1996 Notes to Consolidated Financial Statements Reports of Independent Accountants

ITEM 14. (A)(2) FINANCIAL STATEMENT SCHEDULES

Description

Condensed Financial Information of Registrant for the Years Ended December 31, 1998, 1997 and 1996 (Schedule I)

Valuation and Qualifying Accounts and Reserves for the Years Ended December 31, 1998, 1997 and 1996 (Schedule II)

All other financial statement schedules not listed have been omitted since the required information is included in the Consolidated Financial Statements or the Notes thereto, or are not applicable or required.

ITEM 14. (A)(3) EXHIBITS

Exhibits marked with an asterisk are filed herewith and are listed in the index to exhibits of this Form 10-K. The remainder of the exhibits have been filed with the Commission and are incorporated herein by reference.

(2) Plan of acquisition, reorganization, arrangement, liquidation or succession

(a) Distribution agreement among C-TEC Corporation, RCN Corporation and Cable Michigan, Inc. is incorporated herein by reference to Exhibit 2.1 to Amendment No. 2 to Form 10/A of RCN Corporation dated September 15, 1997 (Commission File No. 0-22825).

(b) Articles of Merger between C-TEC Corporation and Commonwealth Communications, Inc. dated September 29, 1997 is incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, (Commission File No. 0-11053).

(3) Articles of Incorporation and By-laws

(a) Articles of Incorporation of Registrant as amended and restated April 24, 1986 and as further amended on November 25, 1991 are incorporated by reference to Exhibit 3(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 1994, (Commission File No. 0-11053).

(b) Amendment to Articles of Incorporation dated September 21, 1995 are incorporated herein by reference to Exhibit 3(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, (Commission File No. 0-11053).

(c) Amendment of Articles of Incorporation dated October 1, 1997 is herein incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, (Commission File No. 0-11053).

(d) Amendment of Articles of Incorporation dated October 8, 1997 is herein incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, (Commission File No. 0-11053).

(e) By-laws of Registrant, as amended through October 28, 1993 are incorporated herein by reference to Exhibit 3(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 1993, (Commission File No. 0-11053).

(f) Amendments to By-laws of Registrant (Article I, Section I and Article II, Section 4) dated as of December 13, 1994 are incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1994, (Commission File No. 0-11053).

(4) Instruments Defining the Rights of Security Holders, Including Indentures

(a) Loan Agreement dated as of March 29, 1994, made by and between Commonwealth Telephone Company and the National Bank for Cooperatives is incorporated herein by reference to the Company's report on Form 10-Q for the quarter ended March 31, 1994, (Commission File No. 0-11053).

(b) Credit Agreement dated as of June 30, 1997 by and among C-TEC Corporation, the Lenders and First Union National Bank, as administrative agent for the Lenders is incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, (Commission File No. 0-11053).

(10) Material Contracts

(a) C-TEC Corporation, 1994 Stock Option Plan is incorporated herein by reference to the Company's report on Form 10-Q for the quarter ended March 31, 1994, (Commission File No. 0-11053).

(b) C-TEC Corporation, Common-Wealth Builder Employee Savings Plan is incorporated herein by reference to Exhibit 28(b) to Form S-8 Registration Statements (as amended) of Registrant filed with the Commission, Registration No. 2-98306 and 33-13066.

(c) Performance Incentive Compensation Plan is incorporated herein by reference to Exhibit 10(g) to the Company's Annual Report on Form 10-K for the year ended December 31, 1986, (Commission File No. 0-11053).

(d) C-TEC Corporation 1994 Stock Option Plan, as amended, is incorporated herein by reference to Form S-8 Registration Statement of Registrant filed with the Commission, Registration No. 33-64563.

(e) C-TEC Corporation Executive Stock Purchase Plan is incorporated herein by reference to Form S-8 Registration of Registrant filed with the Commission, Registration No. 33-64677.

(f) Merger Agreement dated September 23, 1994 among C-TEC Cable Systems, Inc., C-TEC Cable Systems of Pennsylvania, Twin County Trans Video, Inc., Bark Lee Yee, Stella C. Yee, Susan C. Yee, Raymond C. Yee, Kenneth C. Yee and Robert G. Tallman as trustee for that certain trust created pursuant to a trust agreement dated December 17, 1992 is incorporated herein by reference to Exhibit 10 to the Company's report on Form 8-K dated November 10, 1994, (Commission File No. 0-11053).

(g) Amendment Agreement dated as of March 30, 1995 and Second Amendment Agreement dated as of May 15, 1995 to Merger Agreement dated September 23, 1994 among C-TEC Cable Systems, Inc., C-TEC Cable Systems of Pennsylvania, Inc., Twin County Trans Video, Inc., Bark Lee Yee, Stella C. Yee, Susan C. Yee, Raymond C. Yee, Kenneth C. Yee and Robert G. Tallman as trustee for that certain trust created pursuant to a trust agreement dated December 17, 1992 is incorporated herein by reference to the Company's report on Form 8-K dated June 1, 1995, (Commission File No. 0-11053).

(h) Stock Purchase Agreement dated as of March 27, 1996 between RCN Corporation and C-TEC Corporation is incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, (Commission File No. 0-11053).

(i) Exchange Agreement among RCN Corporation, RCN Holdings, Inc. and C- TEC Corporation dated as of December 28, 1995 and Side Letter dated as of December 28, 1995 is incorporated herein by reference to the Company's Annual Report on Form 10-K for the year December 31, 1995 (Commission File No. 0-11053).

(j) Tax sharing agreement among C-TEC Corporation, RCN Corporation and Cable Michigan, Inc. is incorporated herein by reference to Exhibit 10.1 to Amendment No. 2 to Form 10/A of RCN Corporation dated September 5, 1997, (Commission File No. 0-22825).

(k) Assumption Agreement dated September 30, 1997 by and among Registrant, Cable Michigan, Inc. and First Union Bank is incorporated herein by reference to Exhibit 99 to the Company's report on Form 10-Q for the quarter ended September 30, 1997 (Commission File No. 0-11053).

(l) Registration Rights Agreement dated October 23, 1998 among Registrant, Walter Scott, Jr., James Q. Crowe and David C. McCourt is incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K dated October 28, 1998, (Commission File No. 0-11053).

*(m) 1997 Non-Management Directors' Stock Compensation Plan effective February 12, 1997, as amended.

*(21) Subsidiaries of the Registrant

Subsidiaries of Registrant as of December 31, 1998.

*(23) Consent of Independent Accountants

*(24) Powers of Attorney

*(27) Financial Data Schedule

(99) Additional Exhibits

(a) Undertakings to be incorporated by reference into Form S-8 Registration Statement Nos. 2-98305, 33-5723, 2-98306 and 33-13066 are incorporated herein by reference to Exhibit 28(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 1987, (Commission File No. 0-11053).

(b) Report on Form 11-K with respect to the Common-Wealth Builder Plan will be filed as an amendment to this report on Form 10-K.

ITEM 14. (B) REPORT ON FORM 8-K

On October 1, 1998, the Company filed a report on Form 8-K to announce a Common Stock Rights Offering whereby 3,678,612 shares of Common Stock were offered to shareholders. Each shareholder of record of the Company's Common Stock and Class B Common Stock at the close of business on September 25, 1998 received one transferable subscription right for every five shares of Common Stock or Class B Common Stock held. Rights holders were allowed to purchase one share of Common Stock for each right held at a subscription price of $21.25 per share.

On October 28, 1998, the Company filed a report on Form 8-K to announce the expiration of its Common Stock Rights Offering on October 23, 1998.

On February 8, 1999, the Company filed a report on form 8-K to announce the redemption on February 8, 1999 of the Preferred Stock Series A and Preferred Stock Series B at their stated value, an aggregate of $52 million, plus accrued dividends.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

Commonwealth Telephone Enterprises, Inc.

Date: March 31, 1999

By: /s/ John Butler

JOHN BUTLER
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE	TITLE	DATE
PRINCIPAL EXECUTIVE AND ACCOUNTING OFFICERS:		
/s/ David C. McCourt DAVID C. MCCOURT	Chairman of the Board of Directors	March 31, 1999
/s/ Michael I. Gottdenker MICHAEL I. GOTTDENKER	President and Chief Executive Officer	March 31, 1999
/s/ John Butler JOHN BUTLER	Executive Vice President and Chief Financial Officer	March 31, 1999
/s/ Donald P. Cawley DONALD P. CAWLEY	Vice President and Controller	March 31, 1999
DIRECTORS:		
/s/ David C. McCourt DAVID C. MCCOURT		March 31, 1999
/s/ Michael I. Gottdenker MICHAEL I. GOTTDENKER		March 31, 1999
/s/ James Q. Crowe JAMES Q. CROWE		March 31, 1999
/s/ Bruce C. Godfrey BRUCE C. GODFREY		March 31, 1999
/s/ Stuart E. Graham STUART E. GRAHAM		March 31, 1999

SIGNATURE	TITLE	DATE
/s/ Frank M. Henry		March 31, 1999
FRANK M. HENRY		
/s/ Richard R. Jaros		March 31, 1999
RICHARD R. JAROS		
/s/ Daniel E. Knowles		March 31, 1999
DANIEL E. KNOWLES		
/s/ Michael J. Mahoney		March 31, 1999
MICHAEL J. MAHONEY		
/s/ David C. Mitchell		March 31, 1999
DAVID C. MITCHELL		
/s/ Eugene Roth		March 31, 1999
EUGENE ROTH		
/s/ Walter Scott, Jr.		March 31, 1999
WALTER SCOTT, JR.		
/s/ John J. Whyte		March 31, 1999
JOHN J. WHYTE		

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Certain information included in this annual report is forward-looking, such as information relating to the effects of future regulation and competition and statements made as to plans to construct and develop additional markets. Such forward-looking information involves important risks and uncertainties that could significantly affect expected results in the future differently than expressed in any forward- looking statements made by, or on behalf of, the Company. These risks and uncertainties include, but are not limited to, uncertainties relating to the Company's ability to penetrate new markets and the related cost of that effort, economic conditions, acquisitions and divestitures, government and regulatory policies, the pricing and availability of equipment, materials and inventories, technological developments and changes in the competitive environment in which the Company operates.

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes thereto:

On September 30, 1997, the Company distributed 100 percent of the outstanding shares of common stock of its wholly-owned subsidiaries, RCN Corporation ("RCN") and Cable Michigan, Inc. ("Cable Michigan") to holders of record of the Company's Common Stock and the Company's Class B Common Stock as of the close of business on September 19, 1997 (the "Distribution") in accordance with the terms of a Distribution Agreement dated September 5, 1997 among the Company, RCN and Cable Michigan. RCN consisted primarily of the Company's bundled residential voice, video and Internet access operations in the Boston to Washington, D.C. corridor; its existing New York, New Jersey and Pennsylvania cable television operations; a portion of its long-distance operations; and its international investment in Megacable, S.A. de C.V. Cable Michigan, Inc. consisted of the Company's Michigan cable operations, including its 62% ownership in Mercom, Inc.

In accordance with Accounting Principles Board Opinion No. 30--"Reporting the Results of Operations--Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" ("APB 30"), the Company has restated its results prior to September 30, 1997 to reflect RCN and Cable Michigan as discontinued operations.

As part of the Company's restructuring, the Company changed its name to Commonwealth Telephone Enterprises, Inc. (from C-TEC Corporation) and effected a two-for-three reverse stock split. All share and per share data, stock option data and market prices of the Company's Common Stock have been restated to reflect this reverse stock split. Commonwealth Telephone Enterprises, Inc. consists of Commonwealth Telephone Company ("CT"), the nation's tenth largest independent local exchange carrier; CTSI, Inc. ("CTSI"), a competitive local exchange carrier; and other operations ("Other"), which include Commonwealth Communications ("CC"), an engineering services business; epix(TM) Internet Services ("epix"); and Commonwealth Long Distance Company ("CLD"), a reseller of long-distance services.

OVERVIEW 1998 VS 1997

For the year ended December 31, 1998, the Company's consolidated sales increased 14.8% and were $225,734 and $196,596 for the years ended December 31, 1998 and 1997, respectively. Higher sales of CT of $10,728, CTSI of $16,908 and Other of $1,502 contributed to the increase. Operating income before depreciation and amortization ("EBITDA") was $81,612 as compared to $72,677 in 1997. The increase in EBITDA of $8,935 is primarily due to increased sales of CT and a reduction in management fees of $1,267. Income from continuing operations was $20,455 and $22,184 for the years ended December 31, 1998 and 1997, respectively. The decrease of $1,729 reflects higher depreciation and amortization expense of $6,166 and increased interest expense of $2,781, partially offset by the increased EBITDA discussed above. Net income to common shareholders for the year ended December 31, 1998 was $8,090 or $.36 per diluted average common share as compared to net loss to common shareholders of ($18,214) or ($.81) per diluted average common share for the year ended December 31, 1997. Net income to common shareholders for the year ended December 31, 1998 includes a charge representing the acceleration of preferred stock accretion plus accrued dividends pursuant to a settlement agreement between the Company and the Yee Family Trusts dated February 8, 1999 in the amount of ($8,116) or ($.36) per diluted average common share. Net loss to common shareholders for the year ended December 31, 1997 includes discontinued operations of ($36,149) or ($1.61) per diluted average common share.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

OVERVIEW 1997 VS 1996

For the year ended December 31, 1997, the Company's sales increased 5.4% and were $196,596 and $186,506 for the years ended December 31, 1997 and 1996, respectively. Higher sales of CT of $8,963, CTSI of $5,240 and epix of $2,481, were partially offset primarily by lower sales of CC. Operating income before depreciation and amortization ("EBITDA") was $72,677 as compared to $75,466 in 1996. Higher costs associated with the development of CTSI were partially offset by higher EBITDA of CT of $6,993. Income from continuing operations before extraordinary charge was $22,184 and $25,869 for the years ended December 31, 1997 and 1996, respectively. The decrease of $3,685 primarily reflects the lower EBITDA of $2,789 discussed above, higher depreciation and amortization of $3,826 and lower other income of $1,245 partially offset by a lower provision for income taxes of $4,500. Net loss to common shareholders was ($18,214), or ($0.81) per diluted average common share, for the year ended December 31, 1997 as compared to net income to common shareholders of $6,411, or $0.29 per diluted average common share, for the year ended December 31, 1996. Net loss to common shareholders includes discontinued operations of ($36,149) in 1997. Net income to common shareholders includes discontinued operations of ($13,556) and an extraordinary charge of ($1,928) in 1996.

Selected data by business segment was as follows:

	FOR THE YEARS ENDED DECEMBER 31,		
	1998	1997	1996
SALES	--------	--------	--------
Commonwealth Telephone Company.	$155,266	$144,538	$135,575
CTSI, Inc	22,237	5,329	89
Other	48,231	46,729	50,842
Total	$225,734	$196,596	$186,506

Operating income before depreciation and amortization is commonly used in the communications industry to analyze companies on the basis of operating performance, leverage and liquidity. Operating income before depreciation and amortization is not intended to represent cash flows from operating, investing or financing activities as determined in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Operating income before depreciation and amortization is not a measurement under U.S. GAAP and may not be comparable with other similarly titled measures of other companies.

	FOR THE YEARS ENDED DECEMBER 31,		
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	1998	1997	1996
	--------	--------	--------
Commonwealth Telephone Company.	$88,785	$80,880	$73,887
CTSI, Inc	(9,103)	(9,981)	(941)
Other	1,930	1,778	2,520
Total	$81,612	$72,677	$75,466

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OFOPERATIONS AND FINANCIAL CONDITION--(CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	DECEMBER 31,		
	1998	1997	1996
CT access lines	276,644	258,803	240,255
CTSI access lines	43,422	18,018	804

1998 VS 1997

Sales--Sales primarily includes telephone access, local service, toll, vertical service revenue and includes telecommunications design and engineering revenue and Internet access revenue.

Sales were $225,734 and $196,596 for the years ended December 31, 1998 and 1997, respectively. The increase of $29,138 or 14.8%, is due to higher sales of CT of $10,728, CTSI of $16,908 and Other of $1,502. The increase in sales of CT is attributable to higher interstate access revenue of $3,299 resulting from the growth in access lines of 17,841 or 6.9% and access minutes, higher state access revenue of $4,208 due to an increase in IntraLATA and InterLATA minutes as a result of the growth in access lines. Local service revenue increased $1,783 due to the increase in access lines. Vertical service revenue increased $1,281 primarily as a result of increased Caller ID and Voice Mail revenue of $976. The growth in access lines is primarily due to the Company's successful marketing of residential second line sales resulting in an increase in residential second line penetration from 14.5% in 1997 to 20.7% in 1998. CTSI sales were $22,237 and $5,329 for the years ended December 31, 1998 and 1997, respectively. This increase of $15,996 in local service, access and long-distance business revenues and $912 in residential sales is a result of CTSI's continued penetration in the Wilkes-Barre/Scranton, Harrisburg and Lancaster/Reading, PA markets and expansion into the Binghamton, NY market during the first quarter of 1998. At December 31, 1998 CTSI had 43,422 installed access lines as compared to 18,018 installed access lines at December 31, 1997, an increase of 141%. Increased epix sales of $3,381 or 57.5% for the year ended December 31, 1998 vs 1997 reflects the continued demand for high-speed Internet access and website development and consulting services. epix customers were 36,313 and 27,258 for the years ended December 31, 1998 and 1997, respectively, an increase of 33.2%. CC sales increased $1,768 or 7.5% as a result of an increase in non-recurring Premises Distribution System (wiring and cable projects) revenue of $2,954, partially offset by a decrease in Data Communications revenue of $1,545. The operating results of CC are subject to fluctuations due to its less predictable revenue streams, market conditions and the effect of competition on margins. CLD sales declined $3,645 or 21% as customers switched to alternate long distance providers due to CLD's above average rates. The Company expects this trend to continue.

Costs and expenses, excluding depreciation, amortization and management fees ("costs and expenses")--Costs and expenses primarily include access charges, and other direct costs of sales, payroll and related benefits, advertising, software and information system services (MIS), and general and administrative expenses.

Total costs and expenses were $137,106 and $115,636 for the years ended December 31, 1998 and 1997, respectively, an increase of $21,470 or 18.6%. The increase is primarily due to increased network costs, circuit rental costs, and employee-related expenses associated with the increased penetration into the four CTSI markets discussed above and the late 1998 fourth quarter expansion into the Southeastern Pennsylvania market. Costs and expenses of CT were $61,659 for the year ended December 31, 1998 as compared to $57,134 for the year ended December 31, 1997. Contributing to the increase of $4,525 or 7.9% is an increase in payroll and benefits resulting from incentive plan payouts based on Company results, annual salary increases and additional customer service and outside technician positions. MIS expenses associated with Year 2000 consulting also contributed to the increase. CC costs and expenses increased $853 primarily due to higher cost of goods sold associated with higher sales. epix costs and expenses increased $2,864 or 49% as a result of increased transport, advertising and employee related costs associated with the growth of epix. CLD costs and expenses declined $2,968 due to lower expenses relating to lower sales.

Management fees--Management fees were $7,016 and $8,283 for the years ended December 31, 1998 and 1997, respectively, a decrease of $1,267 or 15.3%. The decrease is primarily due to 1997 restructuring charges that did not recur in 1998.

Depreciation and amortization--Depreciation and amortization primarily reflects depreciation on telephony operating plant. Depreciation and amortization was $37,382 for the year ended December 31, 1998 as compared to $31,216 for the year ended December 31, 1997. The increase is due to a higher depreciable plant balance as a result of CT and CTSI capital expenditures in 1997 and 1998.

Interest expense--Interest expense includes interest on CT's mortgage note payable to the National Bank for Cooperatives, interest on CTE's revolving credit facility and amortization of debt issuance costs. Interest expense was $12,714 and $9,933 for the years ended December 31, 1998 and 1997, respectively. The increase is due to interest on borrowings of $75,000 in the third quarter of 1997 against the revolving credit facility, the proceeds of which were used to fund an equity contribution to RCN prior to the Distribution and additional borrowings in 1998 of $35,500 primarily to fund CTSI's expansion. Interest on the mortgage note payable to the National Bank for Cooperatives declined due to scheduled principal payments totaling $9,010 during 1998.

Income taxes--The Company's effective tax rates from continuing operations were 44.3% and 41.1% for the years ended December 31, 1998 and 1997, respectively. For an analysis of the change in income taxes, see Note 13 to the Consolidated Financial Statements.

1997 VS 1996

Sales--Sales were $196,596 and $186,506 for the years ended December 31, 1997 and 1996, respectively. The increase of $10,090, or 5.4%, is primarily due to higher sales of Commonwealth Telephone Company of $8,963. The increase in CT sales includes higher local service revenue of approximately $2,000, which resulted from an increase in access lines of 18,548, or 7.7% due principally to a successful residential second line promotion and higher vertical services revenue. Network access revenue increased approximately $6,700 which includes higher interstate access revenue of approximately $3,500 due to growth in access lines and rate of return adjustments partially offset by a lower average rate per minute. The increase in network access revenue also includes higher intrastate access revenue of approximately $3,200 primarily due to growth in access minutes and a higher average rate per minute. Also contributing to the increase in sales in 1997 as compared to 1996 is higher revenue of CTSI of $5,240, which represents the start-up of the Company's competitive local telephony operations. At December 31, 1997, CTSI had 18,018 installed access lines as compared to 804 installed access lines at December 31, 1996. epix sales increased $2,481 in 1997 as compared to 1996 which reflects the growing popularity of, and demand for, high-speed Internet access. The above increases were partially offset by lower sales of CC which resulted from a high volume of less predictable Premises Distribution Systems contracts during 1996 which did not recur in 1997. The nature of CC's business is inherently risky due to project cost estimates, subcontractor performance and economic conditions. At December 31, 1997, CC had a minimal sales backlog.

Costs and expenses, excluding depreciation, amortization and management fees ("costs and expenses")--Costs and expenses were $115,636 and $102,658 for the years ended December 31, 1997 and 1996, respectively, an increase of $12,978, or 12.6%. The increase is primarily due to higher costs of $13,757 associated with development of CTSI. Costs and expenses of Commonwealth Telephone Company increased $2,740, or 5.0%.

Payroll and related benefits increased as a result of a one-time postemployment benefit adjustment in the first quarter of 1996 which did not recur in 1997. Additionally contributing to the increase in payroll and related benefits were higher overtime resulting from a successful residential second line promotion, headcount additions and normal salary increases. Advertising expenses, primarily for vertical services and residential second line promotion, and information systems services expenses, primarily for Year 2000 consulting, also contributed to the increase in costs and expenses. These increases were partially offset primarily by lower access charges resulting from a decrease in the average local transport rate charged by a neighboring local carrier.

Costs and expenses of other operations decreased $3,519, or 7.5%, primarily due to lower costs of sales of CC, which are directly associated with its decrease in sales.

Depreciation and amortization--Depreciation and amortization primarily reflects depreciation on incumbent local telephony operating plant. Depreciation and amortization was $31,216 for the year ended December 31, 1997 as compared to $27,390 for the year ended December 31, 1996. The increase is primarily associated with a full year of depreciation in 1997 on capital expenditures of $86,812 made in 1996 and depreciation on capital expenditures of $123,432 in 1997.

Interest expense--Interest expense includes interest on CT's mortgage note payable to the National Bank for Cooperatives, interest on CTE's revolving credit facility and amortization of debt issuance costs. Interest expense was $9,933 and $9,577 for the years ended December 31, 1997 and 1996, respectively. The increase of $356 or 3.7%, is primarily due to interest on borrowings of $75,000 in the third quarter of 1997 against the revolving credit facility, the proceeds of which were used to fund an equity contribution to RCN prior to the Distribution, partially offset by lower interest expense on the mortgage note payable to the National Bank for Cooperatives. Interest on the mortgage note payable decreased primarily due to scheduled principal payments totaling $9,010 during 1997.

Other income, net--Other income was $1,041 for the year ended December 31, 1997 as compared to $2,286 for the year ended December 31, 1996. The decrease is primarily related to the receipt, in the second quarter of 1996, of a royalty fee of approximately $1,700. This fee represented the remaining minimum royalty fee on cellular software products sold through January 1, 1998 owed to the Company by the buyer of the assets of the Company's Information Services Group and corporate data processing function which were sold in 1991.

Income taxes--The Company's effective income tax rates for continuing operations were 41.1% and 43.6% for the years ended December 31, 1997 and 1996, respectively. For an analysis of the change in income taxes, see Note 13 to the Consolidated Financial Statements.

Discontinued operations--Discontinued operations represents the results of operations of RCN and Cable Michigan prior to the Distribution. Discontinued operations were ($36,149) and ($13,556) for the years ended December 31, 1997 and 1996, respectively. The higher loss in 1997 is primarily the result of lower EBITDA of RCN resulting from increased expenses associated with the development of the bundled services business, including advertising, payroll and related benefits and origination and programming costs. Additionally, RCN paid $10,000 in nonrecurring charges associated with the termination of a marketing services agreement held by Freedom, New York L.L.C. ("Freedom"). RCN's interest income decreased primarily as a result of lower average cash balances which resulted from the acquisition of Freedom and capital expenditures associated with network expansion. RCN incurred an extraordinary charge of $3,210 due to its prepayment of Senior Secured Notes. Offsetting these expense increases was a decrease in interest expense resulting from the required principal payment of $18,750 on 9.65% Senior Secured Notes in December 1996. Interest expense also declined in 1997 as a result of RCN's payment of $940 to Level 3 Telecom Holdings, Inc. (formerly Kiewit Telecom Holdings, Inc.) in 1996 in connection with the August 1996 acquisition of Level 3 Telecom Holdings, Inc.'s 80.1% interest in Freedom. Such amount represents compensation to Level 3 Telecom Holdings, Inc. for forgone interest on the amount it had invested in Freedom.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

Extraordinary item--In 1996, as a result of filing an alternative regulation plan with the Pennsylvania Public Utility Commission ("PUC"), CT determined that it no longer met the criteria for the continued application of the accounting required by Statement of Financial Accounting Standards No. 71 -- "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71"). In accordance with SFAS 71, the effects of SFAS 109 on CT were deferred on the balance sheet as regulatory assets and liabilities which represented the anticipated future regulatory recognition of SFAS 109. In this filing, CT requested approval of a change from cost-based, rate-of-return regulation to incentive-based regulation using price caps. CT believed approval of the plan was probable and, as a result, discontinued application of SFAS 71 and wrote off the previously recorded regulatory assets and liabilities, resulting in an extraordinary charge of $1,928.

Since CT performs an annual study to determine the remaining economic useful lives of regulated plant and adjusts them, when necessary, for both financial reporting and regulatory purposes, discontinuation of the application of SFAS 71 did not impact recorded fixed assets values.

CT received approval for an Alternative Regulation and Network Modernization Plan ("the Plan") in January 1997.

LIQUIDITY AND CAPITAL RESOURCES

	DECEMBER 31,	
	1998	1997
Cash and temporary cash investments	$16,968	$14,017
Working capital	$(6,420)	$(4,018)
Long-term debt (including current maturities)	$125,848	$176,357

Cash and temporary cash investments were $16,968 at December 31, 1998 as compared to $14,017 at December 31, 1997. The Company's working capital ratio was .92 to 1 at December 31, 1998 as compared to .95 to 1 at December 31, 1997.

In July 1997, the Company obtained a $125,000 committed revolving credit facility which provides credit availability through July 2002. In September 1997, the Company borrowed $75,000 against this facility to fund an equity contribution to RCN prior to the Distribution. During 1998, the Company borrowed $35,500 primarily to fund CTSI's expansion. In October, 1998 the Company used the proceeds generated from the Stock Rights Offering to reduce outstanding debt on the revolving credit facility by $77,000. (Refer to below.)

The Company currently has adequate resources to meet its short-term obligations, including cash on hand of $17 million and $91.5 million of availability under its revolving credit facility at December 31, 1998 ($39.0 million available at February 28, 1999 (see Note 20)). The Company presently intends to judge the success of its initial rollout of the CTSI business in deciding whether to undertake additional capital expenditures to further expand the network to additional areas. The Company expects that the further expansion of the CTSI business will require significant capital to fund the network development and operations, including funding the development of its fiber optic networks and funding operating losses. The Company's operations have required and will continue to require substantial capital investments for the design, construction and development of additional networks and services. In addition to cash generated from operations and existing credit facilities, sources of funding for the Company's further capital requirements may include financing from public offerings or private placements of equity and/or debt securities and bank loans. There can be no assurance that additional financing will be available to the Company or, if available, that it can be obtained on a timely basis and on acceptable terms. Failure to obtain such financing could result in the delay or curtailment of the Company's development and expansion plans and expenditures.

The Company anticipates that future cash flows will be used principally to support operations and finance growth of the business and, thus, the Company does not intend to pay cash dividends on the Company Common Stock in the foreseeable future. The payment of any cash dividends in the future will be at the discretion of the Company's Board of Directors. The declaration of any dividends and the amount thereof will depend on a number of factors, including the Company's financial condition, capital requirements, funds from operations, future business prospects and such other factors as the Company's Board of Directors may deem relevant.

As a result of factors such as the significant expenses associated with the development of new networks and services, the Company anticipates that its operating results could vary significantly from period to period.

In October 1998, the Company completed a Rights Offering of 3,678,612 shares of its Common Stock and shareholders fully subscribed for all shares of Common Stock offered. Shareholders of record at the close of business on September 25, 1998, received one transferable subscription right for every five shares of Common Stock or Class B Common Stock held. Rights holders were permitted to purchase one share of Common Stock for each right held at a subscription price of $21.25 per share. The Company used the net proceeds of the Rights Offering to reduce outstanding debt on its revolving credit facility by $77,000.

Regulatory Issues

The Federal Communications Commission ("FCC") instituted a rulemaking in 1998 to amend access charge rules for rate-of-return Local Exchange Carriers ("LECs"). The FCC's proposal includes the modification of LEC transport rate structure, the reallocation of costs in the transport interconnection charge and amendments to reflect changes necessary to implement universal service. This rulemaking is an outstanding issue at the FCC. Therefore, it is not possible to determine the impacts, if any, on CT's results of operations.

Also in 1998, the FCC began a proceeding to consider a review of the FCC's authorized rate-of-return for the interstate access services provided by approximately 1,300 LECs, including CT. The FCC will determine if the prevailing rate corresponds to current market conditions. A decision is possible in 1999.

Under its alternative regulation plan approved in 1997, CT is protected by an exogenous events provision that recognizes and accounts for any state/federal regulatory or legislative changes which affect revenues or expenses, thereby allowing CT to rebalance rates to compensate for changes in revenues and/or expenses due to such exogenous events.

No assurances can be given as to what future actions Congress, the FCC or other regulatory authorities may take and the effects thereof on the Company and its results of operations.

Pennsylvania Public Utility Commission

On March 26, 1998, CT received approval of a re-balancing settlement filed before the Pennsylvania Public Utility Commission. Effective April 1, 1998, CT was authorized to shift, on a revenue-neutral basis, approximately $6,100 in annual revenue onto local telephone rates. Offsetting this increase to local service revenue were corresponding decreases in inter- exchange carrier access charges, the elimination or reduction of certain optional services (elimination of business touch tone charges, lowered custom calling rates for both residential and business customers) and the expansion of local calling areas. CT was also afforded the opportunity to upgrade all multi-party ("party line") service to single-party service. This rebalancing was the first major change affecting CT's local service rate structure in 20 years. CT is the largest incumbent local exchange carrier in Pennsylvania to successfully re-balance telephone rates.

Year 2000 Readiness Disclosure

The Company has certain financial, administrative and operational systems which are not Year 2000 compliant. The Company has performed a study to identify those specific systems which require remediation and developed a plan to correct such situations in a timely fashion. The plan includes procedures which are designed to ensure that those systems for which the company is dependent on external vendors' remediation efforts will be Year 2000 compliant by the end of 1999. The Company has identified the following plan phases: (i) awareness, which includes defining the problems presented; (ii) inventory, which includes a detailed evaluation, by system, of the size and complexity of Year 2000 problems, if any; (iii) assessment, which consists of evaluating the Year 2000 compliance status of the inventory, through contact with vendors, and the solutions required; (iv) renovation, which includes the actual repair, upgrade, replacement or re-engineering of various systems; (v) validation, which includes testing of affected systems; (vi) implementation, whereby renovated systems are placed in production; and (vii) post implementation, which includes contingency planning.

For those internal systems that require corrective action, the Company has contracted with its information systems services provider to rewrite the relevant programming code. During 1998, the Company converted its suite of financial systems to an Oracle system. Such system is expected to ensure Year 2000 compliance in financial applications, enable the Company to process and report its financial transactions more efficiently and provide a greater level of detailed information to facilitate management's analysis which is critical to its business decisions.

The Company is employing a team approach across its MIS, financial and operational groups in addressing the above issues, as well as utilizing the assistance of external consultants in the case of the Oracle implementation.

The Company completed renovation of its mission-critical systems and expects non-critical systems renovation to be completed by the end of the first quarter of 1999. Testing of major operational system components already has begun, with further tests in 1999. There have been no mission critical Information Technology (IT) projects deferred as a result of the Year 2000 efforts.

The Year 2000 compliance status of interconnected third party networks is not yet fully known. The Company has made and expects to continue to make inquiry of interconnected third party networks and industry work groups addressing the Year 2000 issues concerning testing and compliance. While the Company understands that members of the US public switched telephone network are, individually and collectively, working on remediation and testing of Year 2000 issues, there can be no assurances that remediation or test results will be complete or available for all configuration of interconnected software and equipment used by the Company in connection with the network.

The most reasonably likely risks of failure by the Company or its supplier to resolve the Year 2000 problem would be an inability to provide services for the Company's customers and an inability on the part of the

Company to timely process service requests and billings for its customers. As a result, while the Company believes its plan for Year 2000 remediation and testing of its operational telephone networks is on schedule, the Company is unable to determine the impact that any system interruption in interconnected third party networks would have on the Company's business, financial condition and results of operations.

The Company has, over many years, sold, leased and maintained telephone equipment manufactured by third parties and owned by the Company's customers, known as Customer Premise Equipment ("CPE"), which is attached to the Company's network. Certain CPE, including Private Branch Exchanges ("PBXs"), include date-sensitive features, such as voice messaging and customer-owned cost accounting systems. These systems or features may encounter Year 2000 processing problems resulting in system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices or engage in similar normal business activities.

Currently the Company is engaging with customers in various phases of their Year 2000 problems and solutions, and manufacturer or customer decisions to provide or install such solutions. Whether manufacturers or owners will make or complete necessary CPE repairs on a timely basis is not yet fully known. As a result, the Company is unable to determine the impact that any CPE interruption would have on the Company's business, financial condition and results of operations.

Although the total costs to remedy the Year 2000 issues cannot be precisely estimated and may change over time, the Company incurred costs of $3,831 during 1998 (which included $2,587 of capitalizable costs) and anticipates spending $500 in 1999. These costs will be expensed as incurred, unless new systems are purchased that should be capitalized in accordance with generally accepted accounting principles. Some of the costs represent ongoing investments in systems upgrades, the timing of which is being accelerated in order to facilitate Year 2000 compliance. In some instances, such upgrades will position the Company to provide more and better quality services to its customers than they currently receive. The Company expects to fund these costs with cash provided by operations.

There is no assurance that the Company's Year 2000 compliance plan will progress as intended. While the Company continues to refine its Year 2000 remediation efforts and the associated costs, based on the information most currently available as noted above, the Company does not believe that its future costs of Year 2000 remediation will be material. The Company is in the process of developing a comprehensive contingency plan in the event of network, system or hardware failure. The Company anticipates completion of its comprehensive contingency plan by the end of the second quarter, 1999.

The above discussion contains statements that are "forward-looking." The above information is based on CTE's current best estimates, which were derived using numerous assumptions. Given the complexity of these issues and possible as yet unidentified risks, actual results may vary materially from those anticipated and discussed above. Specific factors that might cause such differences include, among others, the availability and cost of personnel trained in this area, the ability to locate and correct all affected computer codes, the timing and success of remedial efforts of our third party suppliers and similar uncertainties. No assurance can be given that third parties, on whom the Company depends for essential services (such as electric utilities, interexchange carriers, software and hardware equipment suppliers, etc.), will convert their critical systems and processes in a timely manner. Failure or delay by any of these parties could significantly disrupt the Company's business, financial condition or results of operations.

COMMONWEALTH TELEPHONE ENTERPRISES, INC. AND SUBSIDIARIES

SELECTED FINANCIAL DATA

THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS
FOR THE YEARS ENDED DECEMBER 31,

	1998	1997	1996	1995	1994
Sales	$225,734	$196,596	$186,506	$174,191	$160,272
Income from continuing operations	20,455	22,184	25,869	31,206	17,033
Diluted earnings per average common share from continuing operations	0.36	0.80	0.99	1.38	1.13
Dividends per share	--	--	--	--	--
Total assets.	432,942	373,667	627,653	639,132	572,277
Long-term debt, net of current maturities	116,838	167,347	101,356	110,366	119,376
Redeemable preferred stock*	52,000	42,517	40,867	39,493	257

* See Note 20 Subsequent Events in the accompanying notes to Consolidated Financial Statements.

COMMONWEALTH TELEPHONE ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	FOR THE YEARS ENDED DECEMBER 31,		
	1998	1997	1996
	(THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS)		
Sales	$225,734	$196,596	$186,506
Costs and expenses, excluding management fees and depreciation and amortization	137,106	115,636	102,658
Management fees	7,016	8,283	8,382
Depreciation and amortization	37,382	31,216	27,390
Operating income	44,230	41,461	48,076
Interest and dividend income	3,197	3,422	3,501
Interest expense	(12,714)	(9,933)	(9,577)
Other income, net	200	1,041	2,286
Income from continuing operations before income taxes	34,913	35,991	44,286
Provision for income taxes	16,264	15,460	19,960
Income from continuing operations before equity in unconsolidated entities	18,649	20,531	24,326
Equity in income of unconsolidated entities	1,806	1,653	1,543
Income from continuing operations before extraordinary charge	20,455	22,184	25,869
Discontinued operations	--	(36,149)	(13,556)
Income (loss) before extraordinary charge	20,455	(13,965)	12,313
Extraordinary charge:			
Discontinuation of the application of regulatory accounting	--	--	(1,928)
Net income (loss)	20,455	(13,965)	10,385
Preferred stock dividend and accretion requirements	12,365	4,249	3,974
Net income (loss) to common shareholders	$8,090	$(18,214)	$6,411
Basic earnings per average common share:			
Income from continuing operations before extraordinary charge	$0.37	$0.82	$1.00
Discontinued operations	--	$(1.65)	$(0.62)
Extraordinary charge--discontinuation of application of SFAS 71	--	--	$(0.09)
Net income available for common shareholders	$0.37	$(0.83)	$0.29
Average common shares outstanding	22,058,101	22,000,625	21,984,743
Diluted earnings per average common share:			
Income from continuing operations before extraordinary charge	$0.36	$0.80	$0.99
Discontinued operations	--	$(1.61)	$(0.61)
Extraordinary charge--discontinuation of application of SFAS 71	--	--	$(0.09)
Net income available for common shareholders	$0.36	$(0.81)	$0.29

Average common shares and common stock equivalents outstanding....................................	22,664,264	22,374,367	22,142,108

See accompanying notes to Consolidated Financial Statements.

COMMONWEALTH TELEPHONE ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(THOUSANDS OF DOLLARS)

	DECEMBER 31, 1998	DECEMBER 31, 1997
ASSETS		
Current Assets		
Cash and temporary cash investments	$16,968	$14,017
Accounts receivable, net of reserve for doubtful accounts of $1,885 in 1998 and $1,098 in 1997	24,830	23,824
Accounts receivable from related parties	3,850	3,743
Unbilled revenues	12,498	11,015
Material and supply inventory, at average cost	11,397	8,000
Prepayments and other	1,778	5,671
Deferred income taxes	7,816	5,170
Total current assets	79,137	71,440
Property, plant and equipment, net of accumulated depreciation of $251,226 in 1998 and $223,051 in 1997	338,947	287,956
Investments	8,898	8,815
Deferred charges and other assets	5,960	5,456
Total assets	$432,942	$373,667
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	$9,010	$9,010
Accounts payable	34,092	24,738
Advance billings and customer deposits	4,516	3,540
Accrued taxes	3,064	1,498
Accrued interest	556	638
Accounts payable to related parties	1,580	7,944
Accrued expenses	32,739	28,090
Total current liabilities	85,557	75,458
Long-term debt	116,838	167,347
Deferred income taxes	44,094	42,030
Deferred investment tax credits	--	56
Other deferred credits	9,717	8,328
Redeemable preferred stock	52,000	42,517
Commitments and contingencies (see Note 15)		
Common shareholders' equity	124,736	37,931
Total liabilities and shareholders' equity	$432,942	$373,667

See accompanying notes to Consolidated Financial Statements.

COMMONWEALTH TELEPHONE ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(THOUSANDS OF DOLLARS)

	FOR THE YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Cash flows from operating activities:			
Net income (loss)	$20,455	$(13,965)	$10,385
Gain on pension curtailment/settlement	--	--	(4,292)
Extraordinary items	--	--	1,928
Depreciation and amortization	37,382	94,269	97,653
Loss on sale of discontinued operations	--	--	550
Deferred income taxes and investment tax credits, net	(638)	(5,240)	(6,409)
Gain on sale of Florida cable operations	--	(2,571)	--
Gain on sale of partnership interest	--	(661)	--
Provision for loss on accounts receivable	787	3,292	4,542
Equity in (income) loss of unconsolidated entities	(1,806)	656	739
Decrease in minority interest	--	(3,757)	(2,491)
Other non-cash items	370	94	244
Net change in certain assets and liabilities, net of business acquisitions:			
Accounts receivable and unbilled revenues	(3,383)	(1,859)	(783)
Material and supply inventory	(3,397)	(4,378)	(1,062)
Accounts payable	2,990	3,049	8,562
Accrued expenses and taxes	6,215	(3,737)	11,383
Other, net	4,768	(2,066)	(1,319)
Other	1,272	(419)	(1,139)
Net cash provided by operating activities	65,015	62,707	118,491
Cash flows from investing activities:			
Additions to property, plant and equipment	(87,897)	(123,432)	(86,812)
Purchase of short-term investments	--	--	(75,091)
Sales and maturities of short-term investments	--	46,935	149,086
Acquisitions, net of cash acquired	--	(30,490)	(30,090)
Purchase of loan receivable	--	--	(13,088)
Proceeds from sale of Florida cable operations	--	3,496	--
Proceeds from sale of partnership interest	--	1,900	--
Other	1,114	(801)	2,443
Net cash used in investing activities	(86,783)	(102,392)	(53,552)
Cash flows from financing activities:			
Redemption of long-term debt	(86,010)	(165,689)	(55,260)
Proceeds from the issuance of common stock	693	183	664
Net proceeds of common stock rights offering	77,418	--	--
Issuance of long-term debt	35,500	333,000	19,000
Preferred dividends	(2,882)	(1,950)	(2,600)
Cash contribution from joint venture partner	--	4,116	--
Payment made for debt issuance costs	--	(763)	--
Cash of discontinued operations	--	(191,335)	--
Net cash used in financing activities	24,719	(22,438)	(38,196)

Net increase (decrease) in cash and temporary cash investments	$2,951	$(62,123)	$26,743
Cash and temporary cash investments at beginning of year:			
Continuing operations.	$14,017	$11,004	$8,354
Discontinued operations.	--	65,136	41,043
	$14,017	$76,140	$49,397
Cash and temporary cash investments at end of year:			
Continuing operations.	$16,968	$14,017	$11,004
Discontinued operations.	--	--	65,136
	$16,968	$14,017	$76,140
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest	$12,005	$33,997	$26,594
Income Taxes	$15,911	$9,069	$14,640

See accompanying notes to Consolidated Financial Statements.

COMMONWEALTH TELEPHONE ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS--(CONTINUED)

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

In 1996, the Company acquired an 80.1% interest in Freedom New York, L.L.C. The acquisition was accounted for as a purchase. A summary of the acquisition is as follows:

Cash paid	$28,906
Liabilities assumed	7,621
Deferred tax asset recognized	(167)
Minority interest recognized	6,188
Fair value of assets acquired	$42,548

In March 1997, the Company acquired the portion of Freedom which it did not already own. The transaction was accounted for as a purchase. A summary of the transaction is as follows:

Cash paid	$40,000
Non-capitalizable costs	(10,000)
Reduction of minority interest	(3,812)
Fair value of assets.	$26,188

In September 1997, in connection with the transfer of the Company's investment in Mercom to Cable Michigan, Cable Michigan assumed the Company's $15,000 Term Credit Facility.

Accretion in the carrying value of redeemable preferred stock charged to retained earnings for the year ended December 31, 1998 and 1997 was $9,483 and $1,649, respectively. 1998 includes $7,834 as a result of the redemption of the Preferred Stock Series A and Preferred Stock Series B. This charge represents an acceleration of the accretion that would have been recognized over the remaining term of the Preferred Stock.

Certain intercompany accounts receivable and payable and intercompany note balances were transferred to additional paid-in capital in connection with the Distribution.

See accompanying notes to Consolidated Financial Statements.

COMMONWEALTH TELEPHONE ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN COMMON SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996 (THOUSANDS OF DOLLARS)

	COMMON PAR VALUE	CLASS B PAR VALUE	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	COMMON STOCK OF PARENT HELD BY SUBSIDIARIES	TOTAL SHAREHOLDERS' EQUITY
Balance, December 31, 1995	$12,926	$8,096	$369,167	$123,124	$(5,288)	$(135,384)	$372,641
Net income				10,385			10,385
Preferred dividends				(2,600)			(2,600)
Conversions	389	(389)					--
Accretion of redeemable preferred stock				(1,374)			(1,374)
Stock plan transactions			160		574		734
Other			(10)				(10)
Common stock of parent held by subsidiary returned to treasury stock					(135,384)	135,384	--
Balance, December 31, 1996	13,315	7,707	369,317	129,535	(140,098)	--	379,776
Net loss from 1/1/97 through 9/30/97				(18,127)			(18,127)
Net income from 10/1/97 through 12/31/97				4,162			4,162
Preferred dividends				(1,950)			(1,950)
Conversions	2,479	(2,479)					--
Stock plan transactions	3		5		338		346
Accretion of redeemable preferred stock				(1,649)			(1,649)
Adjustment for the distribution			(217,730)	(108,223)			(325,953)
Other	90	1,262	(551)	2	523		1,326
Balance, December 31, 1997	15,887	6,490	151,041	3,750	(139,237)	--	37,931
Net income				20,455			20,455
Preferred dividends				(2,882)			(2,882)
Conversions	245	(245)					--
Common stock rights offering	3,679		73,739				77,418
Stock plan transactions			(1,797)		2,490		693
Accretion of redeemable preferred stock				(9,483)			(9,483)
Other	3		601				604
Balance, December 31, 1998	$19,814	$6,245	$223,584	$11,840	$(136,747)	$--	$124,736

See accompanying notes to Consolidated Financial Statements.

COMMONWEALTH TELEPHONE ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN COMMON SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

	COMMON STOCK				CLASS B COMMON STOCK			
	SHARES ISSUED	TREASURY STOCK	COMMON STOCK OF PARENT HELD BY SUBSIDIARY	SHARES OUTSTANDING	SHARES ISSUED	TREASURY STOCK	COMMON STOCK OF PARENT HELD BY SUBSIDIARY	SHARES OUTSTANDING
Balance, December 31, 1995.	12,926,619	175,599	(85,465)	12,665,555	8,095,790	202,243	(2,388,271)	5,505,276
Conversions	388,948			388,948	(388,948)			(388,948)
Accretion of redeemable preferred stock.								
Stock plan transactions		(29,000)		29,000				
Other								
Common stock of parent held by subsidiary returned to treasury stock		128,198	85,465	(42,733)		3,582,406	2,388,271	(1,194,135)
Balance, December 31, 1996.	13,315,567	274,797	--	13,040,770	7,706,842	3,784,649	--	3,922,193
Conversions	2,478,628			2,478,628	(2,478,628)			(2,478,628)
Stock plan transactions	3,284	(11,228)		14,512				
Accretion of redeemable preferred stock.								
Adjustment for the distribution								
Other	89,568			89,568	1,261,550			1,261,550
Balance, December 31, 1997.	15,887,047	263,569	--	15,623,478	6,489,764	3,784,649	--	2,705,115
Conversions	244,760			244,760	(244,760)			(244,760)
Stock plan transactions		(68,235)		68,235				
Accretion of redeemable preferred stock.								
Common stock rights offering	3,678,612			3,678,612				
Other	3,231			3,231				
Balance, December 31, 1998.	19,813,650	195,334	--	19,618,316	6,245,004	3,784,649	--	2,460,355

See accompanying notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Thousands, Except Per Share Amounts)

1. Background and Basis of Presentation

The consolidated financial statements of Commonwealth Telephone Enterprises, Inc. ("CTE" or "the Company") include the accounts of its wholly-owned subsidiaries, Commonwealth Telephone Company ("CT"), the nation's tenth largest independent local exchange carrier ("ILEC"); CTSI, Inc, a competitive local exchange carrier ("CLEC"); and other operations ("Other") which include Commonwealth Communications ("CC"), an engineering services business; epix(TM) Internet Services ("epix"); and Commonwealth Long Distance Company ("CLD") a reseller of long-distance services. All significant intercompany accounts and transactions are eliminated.

On September 30, 1997, C-TEC distributed 100 percent of the outstanding shares of common stock of its wholly-owned subsidiaries, RCN Corporation ("RCN") and Cable Michigan, Inc. ("Cable Michigan") to holders of record of C- TEC's Common Stock, par value $1.00 per share ("Common Stock") and C-TEC's Class B Common Stock, par value $1.00 per share ("Class B Common Stock") as of the close of business on September 19, 1997 (the "Distribution") in accordance with the terms of a Distribution Agreement dated September 5, 1997 among C- TEC, RCN and Cable Michigan. RCN consisted primarily of C-TEC's bundled residential voice, video and Internet access operations in the Boston to Washington, D.C. corridor; its existing New York, New Jersey and Pennsylvania cable television operations; a portion of its long-distance operations; and its international investment in Megacable, S.A. de C.V. Cable Michigan, Inc. consisted of C-TEC's Michigan Cable operations, including its 62% ownership in Mercom, Inc. In connection with the Distribution, C-TEC changed its name to Commonwealth Telephone Enterprises, Inc. and amended its articles of incorporation to effect a two for three reverse stock split.

CTE, RCN and Cable Michigan have entered into certain agreements providing for the Distribution, and governing various ongoing relationships, including the provision of support services (management fees), among the three companies, including a distribution agreement and a tax-sharing agreement.

In accordance with Accounting Principles Board Opinion No. 30--"Reporting the Results of Operations--Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" ("APB 30"), the Company has restated its results of operations prior to September 30, 1997, to reflect RCN and Cable Michigan as discontinued operations.

2. Summary of Significant Accounting Policies

Use of Estimates--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition--Local telephone service revenue is recorded as earned based on tariffed rates. Telephone network access and long-distance service revenues are derived from access charges, toll rates and settlement arrangements. CT's interstate access charges are subject to a pooling process with the National Exchange Carrier Association (NECA). Final interstate revenues are based on nationwide average costs applied to certain demand quantities.

Internet access service revenues are recorded based on contracted fees.

Long-distance telephone service revenues are recorded based on minutes of traffic processed and tariffed rates or contracted fees.

Revenue from local telephone, Internet access and long-distance telephone services is earned and recorded when the services are provided.

Long-term contracts of Commonwealth Communications are accounted for on the percentage-of-completion method. Estimated sales and earnings are recognized as equipment is installed or contract services rendered, with estimated losses, if any, charged to income currently.

Advertising Expense--Advertising costs are expensed as incurred. Advertising expense charged to operations was $3,948, $4,090 and $1,036 in 1998, 1997 and 1996, respectively.

Stock-Based Compensation--The Company applies Accounting Principles Board Opinion No. 25--"Accounting for Stock Issued to Employees" ("APB 25") in accounting for its stock plans. The Company has adopted the disclosure--only provisions of Statement of Financial Accounting Standards No. 123--"Accounting for Stock-Based Compensation" ("SFAS 123"). All share and per share data, stock option data and market prices of the Company's Common Stock and Class B Common Stock have been restated to reflect the Reverse Stock Split (Note 11).

Earnings Per Share--Basic earnings per share amounts are based on net income after deducting preferred stock dividend requirements and the charges to retained earnings for the accretion in value of preferred stock divided by the weighted average number of shares of Common Stock and Class B Common Stock outstanding during each year. All share and per share data, stock option data and market prices of the Company's Common Stock and Class B Common Stock have been restated to reflect the Reverse Stock Split (Note 11). Also, all share and per share data have been restated to reflect the additional 3,678,612 shares issued in the October 1998, Common Stock Rights Offering.

Diluted earnings per share are based on net income after deducting preferred stock dividend requirements and the charges to retained earnings for the accretion in value of preferred stock divided by the weighted average number of shares of Common Stock and Class B Common Stock outstanding during each year after giving effect to stock options considered to be dilutive common stock equivalents. For the years ended December 31, 1998, 1997 and 1996, the conversion of redeemable preferred stock into common stock is not assumed, since the effect is anti-dilutive. All share and per share data, stock option data and market prices of the Company's Common Stock and Class B Common Stock have been restated to reflect the Reverse Stock Split (Note 11). Also, all share and per share data have been restated to reflect the additional 3,678,612 shares issued in the October 1998, Common Stock Rights Offering.

(THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

	FOR THE YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Income from continuing operations before extraordinary charge	$20,455	$22,184	$25,869
Preferred stock dividends(1)	2,882	2,600	2,600
Subtotal.	17,573	19,584	23,269
Accretion of preferred stock(1)	9,483	1,649	1,374
Total	$8,090	$17,935	$21,895
Basic earnings per average common share:			
Average shares outstanding.	22,058,101	22,000,625	21,984,743
Income per average common share	$0.37	$0.82	$1.00
Diluted earnings per average common share:			
Average shares outstanding.	22,058,101	22,000,625	21,984,743
Dilutive shares resulting from stock options.	606,163	373,742	157,365
Redeemable preferred stock(2)	--	--	--
	22,664,264	22,374,367	22,142,108
Income per average common share	$0.36	$0.80	$0.99

(1) Includes accrued dividends and accretion of $282 and $7,834, respectively (See Note 20).

(2) In 1998, 1997 and 1996, the conversion of redeemable preferred stock into 1,457,143 shares of common stock using the "if converted" method is anti- dilutive.

Cash and Temporary Cash Investments--For purposes of reporting cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be temporary cash investments. Temporary cash investments are stated at cost which approximates market.

Property, Plant and Equipment and Depreciation--Property, plant and equipment reflects the original cost of acquisition or construction, including payroll and related costs such as taxes, pensions and other fringe benefits, and certain general administrative costs. Major replacements and betterments are capitalized. Repairs of all property, plant and equipment are charged to expense as incurred.

Depreciation on telephone plant is based on the estimated remaining lives of the various classes of depreciable property and straight-line composite rates. The average rates were approximately 7.08%, 6.70% and 6.38% in 1998, 1997 and 1996, respectively. The range of depreciable plant asset lives is three to thirty-seven years. At the time telephone plant is retired, the original cost, plus cost of removal, less salvage, is charged to accumulated depreciation. For all other property, plant and equipment, gain or loss is recognized on retirements and dispositions.

Deferred Charges and Other Assets--Deferred charges and other assets principally include costs incurred to obtain financing and prepaid pension cost.

Income Taxes--The Company and its subsidiaries report income for federal income tax purposes on a consolidated basis.

The Company accounts for income taxes using Statement of Financial Accounting Standards No. 109--"Accounting for Income Taxes" ("SFAS 109"). The statement requires the use of an asset and liability approach for financial accounting and reporting for income taxes. An asset and liability approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between financial reporting basis and tax basis of assets and liabilities. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized.

Investments tax credits ("ITC") have been deferred in prior years and are being amortized over the average lives of the applicable property. Investment tax credits are fully amortized as of December 31, 1998.

Accounting for Impairments--Long-lived assets and certain identifiable intangibles to be held and used by any entity are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the Company estimates the net future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected net future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized. Measurement of an impairment loss for long-lived assets and identifiable intangibles expected to be held and used is based on the fair value of the asset.

No impairment losses have been recognized by the Company.

3. SEGMENT INFORMATION

The company operates in two principal business segments: Commonwealth Telephone Company ("CT"), the nation's tenth largest independent Incumbent Local Exchange Carrier ("ILEC") which has been operating in various rural Pennsylvania markets since 1897; and CTSI, Inc. ("CTSI"), a Competitive Local Exchange Carrier ("CLEC") which formally commenced operations in 1997. Additionally, CTE operates three support businesses that provide expertise to its two principal operating segments. These businesses consist of Commonwealth Communications ("CC"), a telecommunications engineering and consulting business; epix(TM) Internet Services ("epix"); and Commonwealth Long Distance Company ("CLD"), a facilities-based long-distance reseller. CT provides local and long-distance telephone service to residential and business customers in a 19-county service territory in rural northeastern and central Pennsylvania. CT also provides network access and billing/collection services to interexchange carriers and sells telecommunications products and services. CTSI is a competitive local exchange carrier operating in five markets, offering bundled local and long-distance telephone, Internet and vertical services. CC provides telecommunications engineering and technical services and designs, installs and manages telephone systems for corporations, hospitals and universities located principally in Pennsylvania. epix is an Internet service provider. CLD provides long-distance telephone services to CT's and CTSI's customers. No single external customer contributes ten percent or more of CTE's consolidated revenues. Revenue from local telephone, Internet access and long-distance telephone service is earned and recorded when the services are provided. Long- term contracts of CC are accounted for on the percentage of completion method.

"Operating income (loss) before depreciation and amortization" for 1998, 1997 and 1996, includes $7,016, $8,283 and $8,382, respectively for management fees.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

Financial information by business segment is as follows:

	FOR THE YEAR ENDED DECEMBER 31, 1998			
	CT	CTSI	OTHER	CONSOLIDATED
Sales	$164,113	$22,542	$51,111	$237,766
Elimination of intersegment sales	8,847	305	2,880	12,032
External sales	155,266	22,237	48,231	225,734
Operating income (loss) before depreciation and amortization	88,785	(9,103)	1,930	81,612
Depreciation and amortization	29,702	4,873	2,807	37,382
Operating income (loss)	59,083	(13,976)	(877)	44,230
Interest income (expense)	(4,291)	--	(5,226)	(9,517)
Other income (expense)	(366)	674	(108)	200
Income from continuing operations before income taxes	54,426	(13,302)	(6,211)	34,913
Provision (benefit) for income taxes	22,617	(4,008)	(2,345)	16,264
Identifiable assets	304,891	92,159	35,892	432,942
Capital expenditures	37,459	46,380	4,058	87,897

	FOR THE YEAR ENDED DECEMBER 31, 1997			
	CT	CTSI	OTHER	CONSOLIDATED
Sales	$155,636	$5,659	$51,716	$213,011
Elimination of intersegment sales	11,098	330	4,987	16,415
External sales	144,538	5,329	46,729	196,596
Operating income (loss) before depreciation and amortization	80,880	(9,981)	1,778	72,677
Depreciation and amortization	27,857	1,039	2,320	31,216
Operating income (loss)	53,023	(11,020)	(542)	41,461
Interest income (expense)	(5,046)	177	(1,642)	(6,511)
Other income (expense)	(312)	114	1,239	1,041
Income from continuing operations before income taxes	47,665	(10,729)	(945)	35,991
Provision (benefit) for income taxes	19,723	(3,645)	(618)	15,460
Identifiable assets	287,081	48,321	38,265	373,667
Capital expenditures	30,739	36,615	56,078*	123,432

	FOR THE YEAR ENDED DECEMBER 31, 1996			
	CT	CTSI	OTHER	CONSOLIDATED
Sales	$147,783	$89	$60,008	$207,880
Elimination of intersegment sales	12,208	--	9,166	21,374
External sales	135,575	89	50,842	186,506
Operating income (loss) before depreciation and amortization	73,887	(941)	2,520	75,466
Depreciation and amortization	25,975	9	1,406	27,390
Operating income (loss)	47,912	(950)	1,114	48,076
Interest income (expense)	(5,329)	--	(747)	(6,076)
Other income (expense)	(128)	(3)	2,417	2,286
Income from continuing operations before income taxes	42,455	(953)	2,784	44,286
Provision (benefit) for income taxes	16,626	(333)	3,667	19,960
Identifiable assets	285,183	6,724	335,746**	627,653
Capital expenditures	28,834	6,692	51,286*	86,812

* Primarily includes capital expenditures of discontinued operations. **Includes net assets of discontinued operations of $318,493 in 1996.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

4. BUSINESS COMBINATIONS

The following business combinations were transacted by wholly-owned subsidiaries of C-TEC. The acquired businesses were transferred to RCN or Cable Michigan in connection with the restructuring.

On August 30, 1996, FNY Holding Company, Inc. ("FNY"), acquired from Level 3 Telecom Holdings, Inc., (formerly Kiewit Telecom Holdings, Inc.), C-TEC's controlling shareholder at the time, an 80.1% interest in Freedom New York, L.L.C. and all related rights and liabilities ("Freedom") for cash consideration of approximately $29,000. In addition, FNY assumed liabilities of approximately $7,600. (In March 1996, Freedom had acquired the wireless cable television business of Liberty Cable Television.) The acquisition was accounted for as a purchase, and accordingly, Freedom is included in the Company's Consolidated Financial Statements from the date of purchase through the date of the Distribution.

FNY allocated the purchase price paid on the basis of the fair value of property, plant and equipment and identifiable intangible assets acquired and liabilities assumed. There was no excess cost over fair value of net assets acquired.

Contingent consideration of $15,000 was payable in cash and was to be based upon the number of net eligible subscribers, as defined, in excess of 16,563 delivered to the Company. The contingent consideration is not included in the acquisition cost total above, but was to have been recorded when and if the future delivery of subscribers occurred. In addition, FNY paid $922 to Level 3 Telecom Holdings, Inc. which represents compensation for foregone interest on the amount invested by Level 3 Telecom Holdings, Inc. in Freedom. This amount has been charged to operations.

On March 21, 1997, the Company paid $15,000 in full satisfaction of contingent consideration payable for the acquisition of Freedom. Additionally, pursuant to the terms of the Freedom Operating Agreement, the assets of RCN Telecom Services of New York, Inc., a wholly-owned subsidiary of RCN, were contributed to Freedom, in which the Company had an 80.1% ownership interest prior to such contribution. Subsequent to this contribution, the Company paid $15,000 to acquire the minority ownership of Freedom. These amounts were primarily allocated to excess cost over fair value of net assets acquired and are being amortized over a period of approximately six years. The Company also paid $10,000 to terminate a marketing services agreement between Freedom and an entity controlled by Freedom's former minority owners. The Company charged this amount to operations for the quarter ended March 31, 1997.

5. DISCONTINUED OPERATIONS

Pursuant to the Distribution discussed in Note 1 to the Consolidated Financial Statements, the Company has accounted for the RCN and Cable Michigan operations as discontinued operations. All activity up to the date of disposition has been accounted for as discontinued operations.

Sales of discontinued operations were $152,772 in 1997 and $180,802 in 1996.

Results of discontinued operations is comprised of the following:

	FOR THE YEARS ENDED DECEMBER 31,	
	1997	1996
(Loss) gain on disposal of discontinued operations	$(13,745)	$(160)
(Loss) from discontinued operations	(22,404)	(13,396)
Total discontinued operations	$(36,149)	$(13,556)

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

	DECEMBER 31,	
	1998	1997
CT	$483,679	$454,139
CTSI	89,209	43,306
Other	17,285	13,562
Total property, plant and equipment	590,173	511,007
Less accumulated depreciation	(251,226)	(223,051)
Property, plant and equipment, net	$338,947	$287,956

Depreciation expense was $37,382, $31,216 and $27,390 for the years ended December 31, 1998, 1997 and 1996, respectively.

7. INVESTMENTS

Investments are as follows:

	DECEMBER 31,	
	1998	1997
Rural Telephone Bank Stock	$6,409	$6,409
Partnership	2,451	2,376
Other	38	30
Total Investments	$8,898	$8,815

Investment carried on the equity method consists of the following:

	PERCENTAGE OWNED	
	DECEMBER 31,	
	1998	1997
Yellow Book, USA, L.P. Partnership	50.00%	50.00%

Partnership between the Company and Yellow Book, USA, L.P. ("Yellow Book") whereby Yellow Book provides directory publishing services, including yellow pages advertising sales for eight telephone directories.

8. DEFERRED CHARGES AND OTHER ASSETS

Deferred charges and other assets consist of the following:

	DECEMBER 31,	
	1998	1997
Unamortized debt issuance costs	$804	$972
Prepaid pension cost	4,420	3,729
Prepaid professional services	--	162
Executive stock purchase plan	97	--
Other	639	593
Total	$5,960	$5,456

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

9. DEBT

a. Long-term debt--Long-term debt outstanding is as follows:

	DECEMBER 31,	
	1998	1997
Credit Agreement--National Bank for Cooperatives 6.95% due 2009	$92,348	$101,357
Revolving Credit Facility	33,500	75,000
Total	125,848	176,357
Due within one year	9,010	9,010
Total long-term debt	$116,838	$167,347

In July 1997, the Company entered into a $125,000 revolving credit facility which matures June 2002. Throughout 1998, the Company borrowed an additional $35,500 on the facility primarily to fund CTSI's expansion. On October 28, 1998, the Company received approximately $77,000 in proceeds from its Common Stock Rights Offering. The proceeds were used to reduce the outstanding borrowings on the revolving credit facility to $33,500 at December 31, 1998. The weighted average interest rate at December 31, 1998 on the revolving credit facility was 6.09%. The facility contains restrictive covenants which, among other things, require the Company to maintain certain debt to cash flow, interest coverage and fixed charge coverage ratios and a certain level of net worth and place certain limitations on additional debt and investments. The Company does not believe that these covenants will materially restrict its activities.

On February 8, 1999, CTE borrowed $52,500 against its revolving credit facility at a LIBOR interest rate of 5.44% to redeem outstanding preferred stock and accrued dividends associated with the Yee Family Trusts litigation settlement (see Note 20).

In March 1994, the Company entered into a $135,143 credit agreement with the National Bank for Cooperatives (CoBank) at interest rates chosen by the Company based on a number of options. Principal and interest are payable monthly. This agreement contains restrictive covenants, which, among other things, require the maintenance of a specified debt to cash flow ratio. As of December 31, 1998, the weighted average interest rate was 6.95% on borrowings of $92,348.

The funds from the CoBank agreement were used to prepay outstanding borrowings under various mortgage notes and security agreements with the United States of America through the Rural Electrification Administration, the Rural Telephone Bank (RTB) and the Federal Financing Bank on the closing date. In accordance with the terms of the mortgage notes and security agreements, the Company was required to purchase common stock of the RTB, equal to approximately 5% of the amount borrowed. In connection with the prepayment, the Company converted all outstanding RTB Class B stock to RTB Class C stock. Such stock is entitled to cash dividends.

The Company's holdings of RTB stock are included in the investments on the Company's balance sheets. Substantially all the assets of the Company are subject to the lien of the CoBank Agreement described above.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

Maturities and sinking fund requirements on long-term debt for each year ending December 31, 1999 through 2003 are as follows:

YEAR	AGGREGATE AMOUNTS
1999	$9,010
2000	$9,010
2001	$9,010
2002	$42,510
2003	$9,010

b. Short-Term Debt--At December 31, 1998, the Company had unused committed lines of credit that provided for borrowings of up to $5,000 at LIBOR plus 1% (6.07% at December 31, 1998). Short-term unsecured borrowings may be made under this line of credit. The amounts available under this line of credit are reduced by outstanding letters of credit ($750 at December 31, 1998). This line of credit is cancelable at the option of the bank or the Company.

There are no commitment or facility fees associated with maintaining availability of the above-mentioned lines of credit.

10. REDEEMABLE PREFERRED STOCK

In connection with the 1995 acquisition of Twin County Trans-Video, Inc. ("Twin County"), the shareholders approved the issuance of 4,100,000 shares of Preferred Series A and 1,100,000 shares of Preferred Series B shares (collectively the "Preferred Stock"). Such shares were issued in September 1995 and were outstanding at December 31, 1997 and 1996. The shares were subsequently redeemed on February 8, 1999.

The Preferred Stock has a stated value of $10 per share and is entitled to receive $10 per share in liquidation. Dividends on the Preferred Stock are cumulative at 5% per annum beginning January 1, 1996 and must be paid in the event of liquidation before any distribution to holders of Common Stock and Class B Stock. The Company paid dividends on the redeemable preferred stock of $2,600 in 1998, $1,950 in 1997 and $2,600 in 1996.

The Preferred Stock was recorded at fair value on the date of issuance. The excess of the stated value over the carrying value is being accreted by periodic charges to retained earnings over the life of the issue. Such accretion aggregated $1,649, $1,649 and $1,374 in 1998, 1997 and 1996, respectively.

On February 8, 1999, the Company redeemed the shares of its Preferred Stock Series A and Preferred Stock Series B at their stated value, an aggregate of $52,000, plus accrued dividends. This was pursuant to a Settlement Agreement between the Company and the Yee Family Trusts with respect to the action filed on September 30, 1997 by the Yee Family Trusts, as holders of the Company's Preferred Stock Series A and Preferred Stock Series B. The Yee Family Trusts have dismissed with prejudice the action against all defendants, including the Company, RCN Corporation and Cable Michigan, Inc. (see Note 20).

11. COMMON SHAREHOLDERS' EQUITY AND STOCK PLANS

Common Stock--The Company has authorized 85,000,000 shares of $1 par value Common Stock and 15,000,000 shares of $1 par value Class B Stock at December 31, 1998 and 1997.

At the Company's annual shareholders' meeting on October 1, 1997, the shareholders approved an amendment to the Company's Articles of Incorporation, as amended, to effect a two for three reverse stock split (the "Reverse Stock Split") of the Common Stock and the Class B Common Stock. The Reverse Stock Split was effective as of the close of business on October 9, 1997. Pursuant to the Reverse Stock Split, every three shares of Common Stock were converted into two shares of Common Stock and every three shares of Class B Stock were converted into two shares of Class B Stock. Accordingly, approximately $9,162 was transferred from common stock to additional paid-in capital to reflect this Reverse Stock Split. All share and per share data, stock option data and market prices of the Company's Common Stock have been restated to reflect this Reverse Stock Split. The Reverse Stock Split had no effect on authorized shares or the Redeemable Preferred Stock.

In December 1995, the Company acquired from Level 3 Telecom Holdings, Inc. (formerly Kiewit Telecom Holdings, Inc.) all the issued and outstanding shares of common stock of RCN Holdings, Inc. ("Holdings"). Holdings was a wholly- owned subsidiary of Level 3 Telecom Holdings, Inc. that owned 85,465 shares of Common Stock of the Company and 2,388,271 shares of Class B Stock of the Company. Level 3 Telecom Holdings, Inc. was the Company's controlling shareholder at the time and is controlled by Level 3 Communications, Inc. In exchange for newly issued shares of Common Stock and Class B Stock, respectively, equal to the number of shares of Common Stock and Class B Stock held by Holdings, Level 3 Telecom Holdings, Inc. agreed that it would reduce its direct and indirect stock interest in the Company if such reductions are necessary to accomplish a spin-off of certain of the Company's businesses on a tax-free basis to the Company and its shareholders.

The transaction was accounted for as a corporate reorganization and the newly issued shares were recorded at Level 3 Telecom Holdings, Inc.'s cost. In 1995, the Common and Class B Stock of the Company acquired in the transaction was accounted for as a contra equity account encaptioned Parent Stock Held by Subsidiary. In 1996, Holdings was dissolved and the shares of Common Stock and Class B Stock of the Company held by Holdings were returned to treasury stock.

The Company's 1994 Stock Option Plan provides for the grant of up to 1,350,000 Incentive Stock Options to non-bargaining unit employees of the Company. Options will generally become exercisable in cumulative annual increments of twenty percent commencing one year from the date of grant. The options expire ten years from the date of grant. Generally, the options are to be granted within ten years from the date of the adoption of the plan.

The Company's 1996 Equity Incentive Plan provides for the issuance of up to 2,000,000 shares of Common Stock pursuant to awards granted under the 1996 Plan. Awards granted under the 1996 Plan may include incentive stock options, nonqualified stock options, outperformance stock options, stock appreciation rights, performance share units, restricted stock, phantom stock units and other stock-based awards. Upon termination of the 1994 Plan, all shares of Common Stock reserved under the 1994 Plan, which are not then subject to outstanding awards will be available for awards under the 1996 Plan. However, the total amount of authorized shares under the 1996 Plan may not exceed 3,350,000.

In connection with the Distribution, each C-TEC option was adjusted so that each holder currently holds options to purchase shares of Commonwealth Telephone Enterprises Common Stock, RCN Common Stock and Cable Michigan Common Stock. The number of shares subject to, and the exercise price of, such options were adjusted to take into account the Distribution and to ensure that the aggregate intrinsic value of the resulting RCN, Cable Michigan and Commonwealth Telephone Enterprises options immediately after the Distribution was equal to the aggregate intrinsic value of the C-TEC options immediately prior to the Distribution.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

Information relating to CTE stock options is as follows:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding December 31, 1995	803,042	$9.30
Granted	63,333	$10.92
Exercised	(19,333)	$10.77
Canceled.	(90,667)	$11.05
Outstanding December 31, 1996	756,375	$9.38
Granted	261,479	$11.05
Exercised	(9,000)	$13.64
Canceled.	(1,000)	$11.10
Outstanding December 31, 1997	1,007,854	$9.77
Granted	591,500	$24.77
Exercised	(68,234)	$10.91
Canceled.	(95,345)	$21.22
Outstanding December 31, 1998	1,435,775	$15.19
Shares exercisable December 31, 1996.	232,467	$9.32
Shares exercisable December 31, 1997.	408,873	$9.35
Shares exercisable December 31, 1998.	535,868	$9.47

The range of exercise prices for options outstanding at December 31, 1998 is $8.73 to $27.00.

Pro forma information regarding net income and earnings per share is required by SFAS 123, and has been determined as if the Company had accounted for its stock options under the fair value method of SFAS 123. The fair value for these options was estimated at the date of grant using a Black-Scholes American option pricing model with weighted average assumptions for dividend yield of zero for 1998, 1997 and 1996; expected volatility of 47.8% for 1998, 34.9% for 1997 and 34.9% for 1996; risk-free interest rate of 4.72%, 6.52% and 5.95% for 1998, 1997 and 1996, respectively; and expected lives of five years for 1998, 1997 and 1996.

The weighted-average grant data fair value of options is as follows: $11.82 for 1998, $12.91 for 1997 and $12.74 for 1996.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma net earnings and earnings per share were as follows:

	FOR THE YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Net earnings (loss)--as reported	$8,090	$(18,214)	$6,411
Net earnings (loss)--pro forma.	$6,534	$(18,765)	$6,388
Basic earnings (loss) per average common share--as reported	$0.37	$(0.83)	$0.29
Basic earnings (loss) per average common share--pro forma.	$0.30	$(0.85)	$0.29
Diluted earnings (loss) per average common share--as reported.	$0.36	$(0.81)	$0.29
Diluted earnings (loss) per average common share--pro forma.	$0.29	$(0.84)	$0.29

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

The Company also has a stock purchase plan for certain key executives (the "Executive Stock Purchase Plan" or "ESPP"). Under the ESPP, participants may purchase shares of Common Stock in an amount of between 1% and 20% of their annual base compensation and between 1% and 100% of their annual bonus compensation, provided, however, that in no event shall the participant's total contribution exceed 20% of the sum of their annual compensation, as defined by the ESPP. Participant's accounts are credited with the number of share units derived by dividing the amount of the participant's contribution by the average price of a share of Common Stock at approximately the time such contribution is made. The share units credited to a participant's account do not give such participant any rights as a shareholder with respect to, or any rights as a holder or record owner of, any shares of Common Stock. Amounts representing share units that have been credited to a participant's account will be distributed, either in a lump sum or in installments, as elected by the participant, following the earlier of the participant's termination of employment with the Company or three calendar years following the date on which the share units were initially credited to the participant's account. It is anticipated that, at the time of distribution, a participant will receive one share of Common Stock for each share unit being distributed.

Following the crediting of each share unit to a participant's account, the Company will issue a matching share of Common Stock in the participant's name. Each matching share is subject to forfeiture as provided in the ESPP. The issuance of matching shares will be subject to the participant's execution of an escrow agreement. A participant will be deemed to be the holder of, and may exercise all the rights of a record owner of, the matching shares issued to such participant while such matching shares are held in escrow.

The Board has the power to amend or terminate the ESPP at any time, and to freeze or suspend contributions to the ESPP. Amounts contributed under the ESPP will be subject to the claims of the Company's creditors and creditors of certain affiliates of the Company.

At December 31, 1998, there were approximately 44,300 ESPP shares arising from participants' contributions and approximately 32,400 matching shares. The Company recognizes the cost of the matching shares over the vesting period. At December 31, 1998, deferred compensation cost relating to matching shares was $97. Expense recognized in 1998 and 1997 was $59 and $22, respectively. Matching shares are included in weighted average shares outstanding for purposes of computing earnings per share.

12. PENSION AND EMPLOYEE BENEFITS

Substantially all of the Company's employees are included in a trusteed non- contributory defined benefit pension plan. Upon retirement, employees are provided a monthly pension based on length of service and compensation. The Company funds pension costs to the extent necessary to meet the minimum funding requirements of ERISA. Substantially all employees of the Company's discontinued Pennsylvania Cable System operations (formerly Twin County Trans Video, Inc.) were covered by an underfunded plan which was merged into the Company's overfunded plan on February 28, 1996.

Pension (credit) cost is as follows:

	FOR THE YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Benefits earned during the year (service cost)	$1,542	$1,251	$2,365
Interest cost on projected benefit obligation	3,416	3,053	3,412
Actual return on plan assets	(5,618)	(4,376)	(3,880)
Other components--net	(29)	(691)	(1,456)
Net periodic pension (credit) cost	$(689)	$(763)	$441

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

In connection with the Distribution, the Company completed a comprehensive study of its employee benefit plans in 1996. As a result of this study, effective December 31, 1996, in general, employees other than those of CT and CC no longer accrue benefits under the defined benefit pension plan, but became fully vested in their benefit accrued through that date. The Company notified affected participants in December 1996. In December 1996, the Company allocated pension plan assets of $6,984 to a separate plan for employees who no longer accrue benefits after December 31, 1996 (the "curtailed plan"). The underlying liabilities were also allocated. The allocation of assets and liabilities resulted in a curtailment/settlement gain of $4,292. The gain results primarily from the reduction of the related projected benefit obligation.

Plan assets include cash, equity, fixed income securities and pooled funds under management by an insurance company. Plan assets include common stock of the Company with a fair value of approximately $5,277 and $4,125 at December 31, 1998 and 1997, respectively.

The following table sets forth the plans' funded status and amounts recognized in the Company's Consolidated Balance Sheets:

	DECEMBER 31,	
	1998	1997
Change in plan assets:		
Fair value of plan assets beginning of year	$69,973	$55,325
Actual return	11,886	16,216
Benefits paid	(1,850)	(1,568)
Fair value of plan assets at end of year	$80,009	$69,973
Change in benefit obligation:		
Projected benefit obligation at beginning of year	$45,900	$40,118
Benefits earned	1,542	1,251
Interest cost	3,416	3,053
Actuarial loss	4,194	3,046
Benefits paid	(1,850)	(1,568)
Projected benefit obligation at end of year	$53,202	$45,900
Plan assets in excess of benefit obligation	$26,807	$24,073
Unrecognized actuarial gain	(21,925)	(19,599)
Unrecognized prior service cost	2,012	2,225
Unrecognized net transition obligation	(2,474)	(2,970)
Prepaid benefit cost	$4,420	$3,729

The following assumptions were used in the determination of the projected benefit obligation and net periodic pension cost (credit):

	DECEMBER 31,		
	1998	1997	1996
Discount Rate	6.75%	7.00%	7.50%
Expected long-term rate of return on plan assets	9.00%	8.00%	8.00%
Weighted average long-term rate of compensation increases	6.00%	6.00%	6.00%

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

The Company sponsors a 401(k) savings plan covering substantially all employees who are not covered by collective bargaining agreements. Contributions made by the Company to the 401(k) plan are based on a specified percentage of employee contributions. Contributions charged to expense were $727, $531 and $901 in 1998, 1997 and 1996, respectively.

For employees retiring prior to 1993, the Company provides certain postretirement medical benefits. The Company also provides postretirement life insurance benefits to substantially all employees.

Net periodic postretirement benefit cost was $169, $168, and $170 for the years ended December 31, 1998, 1997 and 1996, respectively of which service cost was $5 for each of the three years.

The following table sets forth the plans' funded status and amounts recognized in the Company's Consolidated Balance Sheets:

	DECEMBER 31,	
	1998	1997
Change in plan assets:		
Fair value of plan assets at beginning of year	$--	$--
Employer contributions	188	186
Benefits paid	(188)	(186)
Fair value of plan assets at end of year	$--	$--
Change in benefit obligation:		
Projected benefit obligation at beginning of year	$2,323	$2,230
Service cost	6	5
Interest cost	163	164
Actuarial loss	51	110
Benefits paid	(188)	(186)
Projected benefit obligation at end of year	$2,355	$2,323
Plan assets in excess of benefit obligation	$(2,355)	$(2,323)
Unrecognized actuarial gain	(133)	(184)
Accrued benefit cost	$(2,488)	$(2,507)

The accrued postretirement benefit liability is included in other deferred credits in the accompanying consolidated balance sheets.

The discount rate used in determining the accumulated postretirement benefit obligation was 6.75% in 1998, 7.0% in 1997 and 7.5% in 1996. The assumed healthcare cost trend rate used in measuring the accumulated postretirement benefit obligation was 10.0% for 1998, 10.5% for 1997 and 11% for 1996 declining to an ultimate rate of 6% by 2011.

The effect of increasing the assumed healthcare cost trend rate by one percentage point would be to increase the accumulated postretirement benefit obligation as of December 31, 1998 and 1997 by approximately $71 and $70, respectively, and increase the net periodic postretirement benefit cost by approximately $5 in 1998, $5 in 1997 and $5 in 1996.

The Company also has a nonqualified supplemental pension plan covering certain former employees which provides for incremental pension payments from the Company to the extent that income tax regulations limit the amount payable from the Company's defined benefit pension plan. The projected benefit obligation relating to such unfunded plans was approximately $1,134, $1,117 and $1,088 at December 31, 1998, 1997 and 1996, respectively. Pension expense for the plans was $84 in 1998, $77 in 1997 and $77 in 1996.

The Company provides certain postemployment benefits to former or inactive employees who are not retirees. These benefits are primarily short-term disability salary continuance. The Company accounts for these benefits under Statement of Financial Accounting Standards No. 112-- "Employers' Accounting for Postemployment Benefits" ("SFAS 112"). SFAS 112 requires the Company to accrue the cost of postemployment benefits over employees' service lives. The Company uses the services of an enrolled actuary to calculate the expense. The net periodic cost for postemployment benefits was $632 in 1998, $590 in 1997 and $424 in 1996.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

13. INCOME TAXES

The Provision (Benefit) for Income Taxes is reflected in the Consolidated Statements of Operations as follows:

	FOR THE YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Currently payable:			
Federal	$10,901	$9,032	$16,701
State	5,948	3,965	3,727
Total current	16,849	12,997	20,428
Deferred, net:			
Federal	241	2,189	(127)
State	(770)	464	(64)
Total deferred	(529)	2,653	(191)
Investment tax credit amortization	(56)	(190)	(277)
Provision (benefit) for income taxes:			
From continuing operations	$16,264	$15,460	$19,960
From (loss) gain on disposal of discontinued operations	--	(7,169)	(390)
From discontinued operations	--	(8,941)	(4,223)
Total provision for income taxes	$16,264	$(650)	$15,347

The following is a reconciliation of income taxes at the applicable U.S. federal statutory rate with income taxes recorded by the Company:

	FOR THE YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Income from continuing operations before provision for income taxes, extraordinary items and cumulative effect of accounting principle changes	$36,719	$37,644	$45,829
Federal tax provision at statutory rate	12,852	13,175	16,040
Increase (reduction) due to:			
State income taxes, net of federal benefit	3,366	2,879	2,411
Amortization of investment tax credits	(37)	(123)	(180)
Benefit of rate differential applied to reversing timing differences	--	18	(71)
Estimated nondeductible expenses	--	--	1,154
Nondeductible goodwill	39	39	39
Other, net	44	(528)	567
Provision for income taxes	$16,264	$15,460	$19,960

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

For 1996, estimated nondeductible expenses relate primarily to charges in connection with the restructuring of the Company.

Temporary differences and carryforwards which give rise to a significant portion of deferred tax assets and liabilities are as follows:

	DECEMBER 31,	
	1998	1997
Net operating loss carryforwards	$2,337	$1,150
Employee benefit plans	1,213	1,267
Reserve for bad debts.	1,023	693
All other.	7,339	5,020
Total deferred tax assets.	11,912	8,130
Property, plant and equipment.	(45,602)	(42,637)
All other.	(704)	(792)
Total deferred tax liabilities	(46,306)	(43,429)
Subtotal	(34,394)	(35,299)
Valuation allowance.	(1,884)	(1,561)
Net deferred taxes	$(36,278)	$(36,860)

In the opinion of management, based on the future reversal of existing taxable temporary differences, primarily depreciation, and its expectations of future operating results, after consideration of the valuation allowance, the Company will more likely than not be able to realize substantially all of its deferred tax assets.

The net change in the valuation allowance for deferred tax assets during 1998 for continuing operations was an increase of $323.

State net operating losses will expire as follows:

1999-2004.	$2,000 per year
2005-2009.	$12,017

14. REGULATORY ACCOUNTING PRINCIPLES

Prior to 1996, CT followed the accounting for regulated enterprises prescribed by Statement of Financial Accounting Standards No. 71--"Accounting for the Effects of Certain Types of Regulation" ("SFAS 71").

As a result of filing an alternative regulation plan with the Pennsylvania PUC, CT determined that it no longer met the criteria for the continued application of the accounting required by SFAS 71. In this filing CT requested approval of a change from cost-based, rate-of-return regulation to incentive- based regulation using price caps. CT believed approval of the plan was probable; therefore, it discontinued application of SFAS 71 and, in accordance with Statement of Financial Accounting Standards No. 101--"Accounting for the Discontinuation of the Application of SFAS 71," wrote off the regulatory assets and liabilities previously recognized pursuant to SFAS 71, resulting in an extraordinary charge of $1,928. CT received approval of an alternative regulation plan in January 1997.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

15. COMMITMENTS AND CONTINGENCIES

a. The Company had various purchase commitments at December 31, 1998 related to its 1999 construction budget.

b. Total rental expense, including pole rentals, was $3,896, $4,002 and $3,359 in 1998, 1997 and 1996, respectively. At December 31, 1998, rental commitments under noncancelable leases, excluding annual pole rental commitments of approximately $2,214 which are expected to continue indefinitely, are as follows:

YEAR	AGGREGATE AMOUNTS
1999	$1,936
2000	$1,460
2001	$472
2002	$377
2003	$332
After 2003	$1,598

c. Effective January 1, 1998, the Company entered into a three year agreement for the provision to the Company of data processing services including the general management of the Company's data processing operations. Annual commitments, excluding annual increases based on increases in the Consumer Price Index, are $5,348 and $5,724 in 1999 and 2000.

d. The Company has outstanding letters of credit aggregating $750 at December 31, 1998.

In the normal course of business, there are various legal proceedings outstanding, including both commercial and regulatory litigation. In the opinion of management, these proceedings will not have a material adverse effect on the results of operations or financial condition of the Company.

16. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

a. Cash and temporary cash investments--The carrying amount approximates fair value because of the short maturity of these instruments.

b. Long-term investments--Long-term investments consist primarily of investments accounted for under the equity method for which disclosure of fair value is not required and Rural Telephone Bank ("RTB") Stock. It was not practicable to estimate the fair value of the RTB Stock because there is no quoted market price for the stock; it is issued only at par and can be held only by recipients of RTB loans.

c. Long-term debt--The fair value of fixed rate long-term debt was estimated based on the Company's current incremental borrowing rate for debt of the same remaining maturities. The fair value of floating rate long-term debt is considered to be equal to carrying value since the debt reprices at least every six months and the Company believes that its credit risk has not changed from the time the floating rate debt was borrowed and therefore, it would obtain similar rates in the current market.

d. Letters of credit--The contract amount of letters of credit represents a reasonable estimate of their value since such instruments reflect fair value as a condition of their underlying purpose and are subject to fees competitively determined in the marketplace.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

The estimated fair value of the Company's financial instruments are as follows:

	DECEMBER 31,			
	1998		1997	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial Assets:				
Cash and temporary cash investments	$16,968	$16,968	$14,017	$14,017
Financial Liabilities:				
Fixed rate long-term debt:				
Mortgage note payable to the National Bank for Cooperatives.	$46,761	$50,187	$51,323	$54,563
Floating rate long-term debt:				
Revolving Credit Agreement.	$33,500	$33,500	$75,000	$75,000
Mortgage note payable to the National Bank for Cooperatives.	$45,587	$45,587	$50,034	$50,034
Unrecognized Financial Instruments:				
Letters of credit	$750	$750	$1,500	$1,500
Redeemable preferred stock.	$52,000	$52,000	$42,517	$42,517

17. OFF BALANCE SHEET RISK AND CONCENTRATION OF CREDIT RISK

Certain financial instruments potentially subject the Company to concentrations of credit risk. These financial instruments consist primarily of trade receivables and cash and temporary cash investments.

The Company places its cash and temporary cash investments with high credit quality financial institutions and limits the amount of credit exposure to any one financial institution. The Company also periodically evaluates the credit worthiness of the institutions with which it invests. The Company does, however, maintain unsecured cash and temporary cash investment balances in excess of federally insured limits.

The Company's trade receivables reflect a customer base primarily centered in northeastern and central Pennsylvania. The Company routinely assesses the financial strength of its customers; as a result, concentrations of credit risk are limited.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

18. QUARTERLY INFORMATION (UNAUDITED)

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
1998				
Sales	$53,235	$55,679	$57,748	$59,072
Operating income	10,904	11,426	10,713	11,187
Income from continuing operations before extraordinary items	5,071	5,925	4,468	4,991
Gain (loss) from discontinued operations	--	--	--	--
Net income (loss)	5,071	5,925	4,468	4,991
BASIC EARNINGS PER SHARE:				
Income (loss) per average common share from continuing operations	$0.18	$0.23	$0.15	$(0.19)
Net income (loss) available to common shareholder per average common share	$0.18	$0.23	$0.15	$(0.19)
DILUTED EARNINGS PER SHARE:				
Income (loss) per average common share from continuing operations	$0.18	$0.21	$0.15	$(0.18)
Net income (loss) available to common shareholder per average common share	$0.18	$0.21	$0.15	$(0.18)
COMMON STOCK CLOSING PRICE:				
High	$29.25	$30.13	$27.25	$33.50
Low	$21.94	$26.38	$21.00	$19.50
CLASS B STOCK CLOSING PRICE:				
High	$29.25	$29.63	$28.13	$31.50
Low	$22.00	$26.25	$23.94	$21.63

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
1997				
Sales	$46,413	$48,553	$50,359	$51,271
Operating income	11,248	11,154	9,990	9,069
Income from continuing operations before extraordinary items	6,547	6,524	4,961	4,152
Gain (loss) from discontinued operations	(12,885)	(19,484)	(3,790)	10
Net income (loss)	(6,338)	(12,960)	1,171	4,162
BASIC EARNINGS PER SHARE:				
Income (loss) per average common share from continuing operations	$0.25	$0.25	$0.17	$0.15
Net income (loss) available to common shareholder per average common share	$(0.34)	$(0.64)	$0.00	$0.15
DILUTED EARNINGS PER SHARE:				
Income (loss) per average common share from continuing operations	$0.25	$0.25	$0.17	$0.13
Net income (loss) available to common shareholder per average common share	$(0.33)	$(0.61)	$0.00	$0.13
COMMON STOCK CLOSING PRICE:				
High	$12.48	$14.67	$20.81	$32.63
Low	$9.47	$10.95	$14.20	$21.63
CLASS B STOCK CLOSING PRICE:				
High	$11.84	$14.19	$19.59	$32.03
Low	$8.97	$10.86	$13.39	$21.75

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

19. CERTAIN RELATED PARTY TRANSACTIONS

The Company had the following transactions with related parties:

	FOR THE YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Corporate office costs allocated from RCN	$7,016	$8,332	$8,800
Long distance terminating access charges to RCN	1,654	1,312	728
Revenue from engineering services charged to RCN and Cable Michigan	714	483	187
Interest income on affiliate notes with RCN	--	537	354
Interest expense on affiliate notes with RCN.	--	241	1,167
Royalty fees charged to RCN and Cable Michigan.	--	1,134	1,444
Long distance expenses from RCN Long Distance	13,312	1,123	1,058
Other related party revenues	1,994	688	860
Other related party expenses	548	1,576	--

December 31, 1998, the Company had accounts receivable from related parties of $3,850 and accounts payable to related parties of $1,580. All related party note balances at the date of the Distribution were either paid or transferred to Shareholders' Net Investment in connection with the Distribution.

20. SUBSEQUENT EVENTS

On September 30, 1997, the Yee Family Trusts, as holders of the Company's Preferred Stock Series A and Preferred Stock Series B, filed an action against the Company, RCN and Cable Michigan and certain present and former directors of the Company in the Superior Court of New Jersey, Chancery Division. The complaint alleged that the Company's restructuring constituted a fraudulent conveyance and alleged breaches of contract and fiduciary duties and of the covenant of good faith and fair dealing in connection with the restructuring. On December 1, 1997, the complaint was amended to allege that the Company's distribution of the common stock of RCN and Cable Michigan was an unlawful distribution in violation of 15 Pa. C.S. 1551(b)(2).

On February 8, 1999, the Company redeemed the shares of its Preferred Stock Series A and Preferred Stock Series B at their stated value, an aggregate of $52,000, plus accrued dividends. This was pursuant to a settlement agreement between the Company and the Yee Family Trusts with respect to the action filed on September 30, 1997 by the Yee Family Trusts, as holders of the Company's Preferred Stock Series A and Preferred Stock Series B. The Yee Family Trusts have dismissed with prejudice the action against all defendants, including the Company, RCN Corporation and Cable Michigan, Inc.

The redemption did not affect the Company's reported net income, but reduced net income to common shareholders by accelerating the Company's reported Preferred Stock dividend and accretion for 1998 by approximately $8,100, or $0.36 per diluted average common share. The increase in this charge represents an acceleration of the accretion that would have been recognized over the remaining term of the Preferred Stock and the accrued dividends through February 8, 1999. Under the terms of each series of Preferred Stock, the Company had the option to redeem the Preferred Stock at its stated value plus accrued dividends at any time after May 15, 1998. On February 8, 1999, the Company borrowed $52,500 on its revolving credit facility to fund the redemption of the Preferred Stock and accrued dividends.

On February 21, 1999, Commonwealth Telephone Company bargaining employees ratified a new labor contract, which among other things, includes wage increases retroactive to December 1, 1998, a ratification bonus and improvement in certain benefits. Amounts applicable to 1998 have been reflected in the accompanying Consolidated Financial Statements.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders of Commonwealth Telephone Enterprises, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in common shareholders' equity and cash flows present fairly, in all material respects, the financial position of Commonwealth Telephone Enterprises, Inc. and Subsidiaries (the "Company") at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania

February 25, 1999

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULES

To the Board of Directors of Commonwealth Telephone Enterprises, Inc.

Our audits of the consolidated financial statements referred to in our report dated February 25, 1999 appearing on page 55 of the 1998 Annual Report to Shareholders of Commonwealth Telephone Enterprises, Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedules listed in Item 14(a)(2) of this Form 10-K. In our opinion, these financial statement schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
February 25, 1999

REPORT OF MANAGEMENT

The integrity and objectivity of the financial information presented in these financial statements is the responsibility of the management of Commonwealth Telephone Enterprises, Inc.

The financial statements report on management's accountability for Company operations and assets. To this end, management maintains a system of internal controls and procedures designed to provide reasonable assurance that the Company's assets are protected and that all transactions are accounted for in conformity with generally accepted accounting principles. The system includes documented policies and guidelines, augmented by a comprehensive program of internal and independent audits conducted to monitor overall accuracy of financial information and compliance with established procedures.

PricewaterhouseCoopers, LLP, independent accountants, conduct a review of internal accounting controls to the extent required by generally accepted auditing standards and perform such tests and procedures as they deem necessary to arrive at an opinion on the fairness of the financial statements presented herein.

The Board of Directors meets its responsibility for the Company's financial statements through its Audit Committee which is comprised exclusively of directors who are not officers or employees of the Company. The Audit Committee recommends to the Board of Directors the independent auditors for election by the shareholders. The Committee also meets periodically with management and the independent and internal auditors to review accounting, auditing, internal accounting controls and financial reporting matters. As a matter of policy, the internal auditors and the independent auditors periodically meet alone with, and have access to, the Audit Committee.

John Butler
Executive Vice President--Chief
Financial Officer

SCHEDULE I

COMMONWEALTH TELEPHONE ENTERPRISES, INC.

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

STATEMENT OF OPERATIONS

	FOR THE YEARS ENDED DECEMBER 31,		
	1998	1997	1996
	(THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS)		
Income:			
Sales	$27,451	$6,897	$--
Interest income-other	--	--	--
Other	357	53	61
Total income	27,808	6,950	61
Expenses:			
Cost of goods sold	20,533	4,987	--
Interest expense on long term debt	4,769	1,642	--
Interest expense, net on notes payable to subsidiaries	(1,146)	46	--
General & administrative expenses	7,564	2,171	(258)
Depreciation and amortization	672	141	--
Total expenses	32,392	8,987	(258)
(Loss) income from continuing operations before income taxes, equity in net income of subsidiaries	(4,584)	(2,037)	319
(Benefit) provision for income taxes	(1,680)	(1,301)	1,096
(Loss) income from continuing operations before equity in net income of subsidiaries	(2,904)	(736)	(777)
Net income of subsidiaries	23,359	22,920	24,718
Income from continuing operations	20,455	22,184	23,941
Loss from discontinued operations	--	(36,149)	(13,556)
Net (loss) income	$20,455	$(13,965)	$10,385
Earnings (loss) per average common share:			
Income from continuing operations	$0.37	$0.82	$0.91
Discontinued operations	--	$(1.65)	$(0.62)
Net income available for common shareholders	$0.37	(0.83)	$0.29
Average common shares outstanding	22,058,101	22,000,625	21,984,743

SCHEDULE I

COMMONWEALTH TELEPHONE ENTERPRISES, INC.

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

BALANCE SHEETS

	DECEMBER 31, 1998	DECEMBER 31, 1997
ASSETS		
Current assets:		
Cash	$7,285	$2,975
Notes receivable affiliates.	40,989	--
Accounts receivable affiliates	7,705	4,050
Accounts receivable other.	6,104	7,864
Prepayments and other.	--	--
Materials and supply inventory	3,749	2,092
Deferred tax assets and other.	1,362	1,094
Total current assets	67,194	18,075
Investment in subsidiaries (stated at equity).	162,939	154,736
Property plant and equipment, net of accumulated depreciation of $2,554 in 1998 and $2,177 in 1997	1,826	1,412
Deferred tax assets and other.	5,548	4,829
	$237,507	$179,052
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Note payable to affiliates	$3,933	$6,290
Accounts payable to subsidiaries	8,831	2,881
Accrued liabilities and other.	11,188	10,945
Total liabilities	23,952	20,116
Redeemable preferred stock	52,000	42,517
Long term debt	33,500	75,000
Deferred income taxes and other deferred credits	3,319	3,488
Shareholders' equity		
Common stock, par value $1, authorized 85,000,000 shares, issued 19,813,650 shares in 1998 and 15,887,047 shares in 1997	19,814	15,887
Class B stock, par value $1, authorized 15,000,000 shares, issued 6,245,004 shares in 1998 and 6,489,764 shares in 1997.	6,245	6,490
Total common stock	26,059	22,377
Additional paid in capital	223,584	151,041
Retained earnings.	11,840	3,750
Total.	261,483	177,168
Treasury stock at cost, 3,979,983 shares in 1998 and 4,048,218 shares in 1997.	(136,747)	(139,237)
Total shareholders' equity	124,736	37,931
Total liabilities and shareholders' equity	$237,507	$179,052

SCHEDULE I

COMMONWEALTH TELEPHONE ENTERPRISES, INC.

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

STATEMENT OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Cash flows from operating activities:			
Net (loss) income	$20,455	$(13,965)	$10,385
Depreciation and amortization	673	141	--
Deferred income taxes and investment tax credits, net	(303)	(185)	--
Net decrease (increase) in certain assets and liabilities.	2,508	(6,100)	883
Equity in income of subsidiaries	(23,359)	(13,229)	(11,162)
Other	40	(2,122)	37
Net cash flow (used in) provided by operating activities	14	(35,460)	143
Cash flows from investing activities:			
Additions to property, plant and equipment.	(1,225)	(60)	--
Dividends from subsidiaries	15,000	19,526	15,000
Capital contributions to subsidiaries	--	(61,761)	(13,208)
Redemption (purchase) of short term investments.	--	2,700	--
Other	138	(1,493)	--
Net cash (used in) provided by investing activities	13,913	(41,088)	1,792
Cash flows from financing activities:			
Redemption of long term debt.	(77,000)	(8,000)	--
Issuance of long term debt.	35,500	83,000	--
Proceeds from the issuance of common stock.	693	183	665
Preferred dividends	(2,882)	(1,950)	(2,600)
Increase (decrease) in notes payable to affiliates	(2,388)	6,321	--
Increase (decrease) in notes receivable from affiliates.	(40,958)	(31)	--
Net proceeds of common stock rights offering	77,418		
Net cash (used in) provided by financing activities	(9,617)	79,523	(1,935)
Increase in cash and temporary cash investments	4,310	2,975	--
Cash and temporary cash investments at beginning of year	2,975	--	$--
Cash and temporary cash investments at end of year	$7,285	$2,975	$--
Components of net (increase) decrease in certain assets and liabilities:			
Accounts receivable	$(1,895)	$(11,914)	$--
Materials and supply inventory.	(1,657)	(2,092)	--
Accounts payable.	(624)	1,145	(2,388)
Prepayments	34	(127)	168
Accrued expenses.	6,650	6,888	3,103

Net (increase) decrease in certain assets and liabilities	$2,508	$(6,100)	$883

SCHEDULE II

COMMONWEALTH TELEPHONE ENTERPRISES, INC.

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(THOUSANDS OF DOLLARS)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS: CHARGED TO COSTS AND EXPENSE	ADDITIONS: CHARGED TO OTHER ACCOUNTS	DEDUCTIONS	BALANCE AT END OF PERIOD
ALLOWANCE FOR DOUBTFUL ACCOUNTS--DEDUCTED FROM ACCOUNTS RECEIVABLE IN THE CONSOLIDATED BALANCE SHEETS.					
1998	$1,098	$1,122	$47	$382	$1,885
1997	$791	$776	$(123)	$346	$1,098
1996	$690	$1,804	$(529)	$1,174	$791
ALLOWANCE FOR INVENTORY--DEDUCTED FROM MATERIAL AND SUPPLY INVENTORY IN THE CONSOLIDATED BALANCE SHEETS.					
1998	$346	$273	$(187)	$160	$272
1997	$227	$394	$(62)	$213	$346
1996	$237	$297	$(97)	$210	$227
ALLOWANCE FOR DEFERRED TAX ASSETS--DEDUCTED FROM DEFERRED TAX ASSETS IN THE CONSOLIDATED BALANCE SHEETS.					
1998	$1,561	$--	$937	$614	$1,884
1997	$747	$758	$259	$203	$1,561
1996	$663	$289	$--	$205	$747

Exhibit 4

Managerial Qualifications

A summary of the experience of Petitioner's management personnel is as follows:

MICHAEL I. GOTTDENKER

President & Chief Executive Officer
Commonwealth Telephone Enterprises, Inc.

MICHAEL I. GOTTDENKER brings an extensive financial, managerial and operational background to his role as president of Commonwealth Telephone Enterprises, Inc. (CTE). CTE consists of Commonwealth Telephone Company, the nation's tenth largest independent local exchange carrier; CTSI, a competitive local exchange carrier; and various other operations including engineering, long distance, and an Internet services provider.

Mr. Gottdenker joined C-TEC Corporation, the predecessor company to CTE, in 1995 as executive vice president of Commonwealth Telephone Company and in 1996 was also appointed executive vice president of Commonwealth Communications, Inc. After the corporate restructuring of C-TEC in 1997 which established CTE as a stand-alone public company (NASDAQ-CTCO and NASDAQ-CTCOB), Mr. Gottdenker assumed his current leadership position of the combined operations of the new company.

Mr. Gottdenker is also a member of the company's board of directors and its executive committee.

Prior to joining Commonwealth, Mr. Gottdenker held several senior executive positions at Revlon Consumer Products Corporation, the last of which was vice president, new business development. Prior to Revlon, he worked at Salomon Brothers Inc as an investment banker in the corporate finance and real estate finance departments.

A graduate of Columbia University, Mr. Gottdenker holds a bachelor of arts degree in economics and computer science.

JAMES DePOLO

Executive Vice President
Commonwealth Telephone Enterprises, Inc. (CTE)

JAMES DePOLO is responsible for the management oversight of Commonwealth Telephone Company, CTSI, epix™™ Internet Services and Commonwealth Communications, as well as for overseeing several staff operations for Commonwealth Telephone Enterprises, Inc. (CTE).

Mr. DePolo had previously served with Commonwealth Telephone Company from 1971-1983 in a variety of capacities. Most recently, he was division president at Metropolitan Fiber Systems, Inc. (MFS), where his career included related senior management positions. Prior to MFS, Mr. DePolo was associated with Sprint Communications from 1985 to 1993, and with Satellite Business Systems from 1983-1985.

Mr. DePolo earned a bachelor of science degree in accounting from King's College, Wilkes-Barre, PA.

JOHN A. BUTLER

Executive Vice President and
Chief Financial Officer
Commonwealth Telephone Enterprises, Inc.

JOHN A. BUTLER joined Commonwealth Telephone Enterprises in 1998 as executive vice president and chief financial officer. Mr. Butler is responsible for the oversight of corporate finance, accounting, financial analyses, capital market transactions and various other functions for the company.

Mr. Butler has spent over 12 years in the corporate finance arena including extensive experience with the telecommunications industry. Prior to his affiliation with CTE, Mr. Butler worked with First Union Capital Markets Group where he was a director in the corporate finance arm of its media and communications group, focusing on the commercial and investment banking needs of First Union's telecommunications clients. Mr. Butler has also held corporate finance positions with CoBank and the First National Bank of Chicago. He began his career at Arthur Andersen & Company.

Mr. Butler holds a bachelor's degree from the University of Notre Dame and an MBA from the University of Texas at Austin.

DONALD P. CAWLEY

Vice President and Controller
Commonwealth Telephone Enterprises, Inc.

DONALD P. CAWLEY joined C-TEC Corporation, the former parent company, in 1981 and has held various positions with several of the Corporation's subsidiaries, including assistant corporate controller for C-TEC Corporation, controller for Commonwealth Communications and the Corporation's former Information Services and Cellular Groups.

In his current position as vice president and controller, Mr. Cawley is responsible for the management and direction of the finance and accounting functions within Commonwealth Telephone Enterprises, including: financial accounting, analysis and reporting, budgeting and taxes. In addition, he is responsible for certain administrative functions.

Mr. Cawley is actively involved in the American Institute of Certified Public Accountants.

Mr. Cawley holds a bachelor of science degree in accounting from King's College, Wilkes-Barre, Pennsylvania and is a Certified Public Accountant in Pennsylvania.

Exhibit 3

Financial Qualifications

RAYMOND J. DOBE, JR.

Vice President and General Manager, NEPA, Central and Capital
CTSI, Inc.

RAYMOND J. DOBE, JR. joined Commonwealth Telephone Enterprises, Inc. (CTE) in July 1997. Mr. Dobe currently serves as vice president and general manager for the northeastern, central and capital operating territories in Pennsylvania for CTSI, Commonwealth Telephone Enterprises' competitive local exchange carrier. Mr. Dobe is responsible for both the sales and operations teams in these operating territories as well as major business account sales in all CTSI markets. His efforts are focused on exceeding customer expectations, integrating sales and operations, and facilitating growth in each of the three CTSI regional markets.

Mr. Dobe previously served as vice president of operations, engineering and customer service for CTSI, where he was responsible for overseeing the installation and provisioning of new sales in all markets. Prior to joining CTSI, Mr. Dobe most recently was affiliated with MFS Communications in Virginia, where he was regional director for the Mid-Atlantic area. Mr. Dobe has also held a variety of progressive management positions with MCI, Satellite Business Systems and Bell Atlantic.

Mr. Dobe holds a B.S. in business management from the University of Maryland.

STUART L. KIRKWOOD

Vice President of Technology and Strategic Development
Commonwealth Telephone Enterprises, Inc.

STUART L. KIRKWOOD was appointed vice president of technology and strategic development of Commonwealth Telephone Enterprises, Inc. (CTE), in February 1998. In this role, Mr. Kirkwood is responsible for evaluating and setting the technological strategic direction for all CTE businesses.

Mr. Kirkwood joined C-TEC Corporation, the former parent organization, in 1984 as senior manager of network design for the telephone group. His other positions within the company have included senior manager of customer and network services, director of operations, and vice president of new business development. Prior to his affiliation with CTE, Mr. Kirkwood held engineering and management positions with the Butler Service Group and Bell Canada.

Mr. Kirkwood holds a bachelor of applied science degree in engineering from the University of Waterloo, Waterloo, Ontario, Canada and a masters in business administration from Wilkes University, Wilkes Barre, Pennsylvania. He is a member of the American Society for Quality Control, the Wilkes Barre Chamber of Commerce, The Scranton Plan Committee and Penn State Advisory Board.

GARY ZINGARETTI

Vice President of Industry Relations
Commonwealth Telephone Enterprises, Inc.

GARY ZINGARETTI joined Commonwealth Telephone Enterprises, Inc. (CTE), in September 1997 as vice president of industry relations. His responsibilities include revenue requirements as well as regulatory strategic planning and government affairs.

Mr. Zingaretti's affiliations include serving as vice president of regulatory at ICORE, a telecommunications consulting group based in Allentown, PA. At ICORE, he worked with a variety of telecommunications companies, including CTE. He was also previously associated with Commonwealth Telephone Company from 1986 to 1996, where he held a variety of regulatory positions including manager of revenue administration.

Mr. Zingaretti holds an M.B.A. from Wilkes University in Wilkes-Barre, PA, and a bachelor of science degree in accounting and economics from King's College, Wilkes-Barre. He is a member of the PA Institute of Certified Public Accountants.

Exhibit 5

Small and Minority Owned Telecommunications Business Participation Plan

SMALL AND MINORITY OWNED TELECOMMUNICATIONS BUSINESS PARTICIPATION OF CTSI, INC.

Policy Statement

CTSI, Inc. ("CTSI") acknowledges the importance of supporting the participation of small and minority owned telecommunications businesses in the telecommunications industry and the overall general business participation in the Tennessee telecommunications business operations. It is the policy of CTSI to provide small and minority owned telecommunications businesses an opportunity to compete for contracts and subcontracts for goods and services to CTSI. CTSI is committed to the identification and selection of qualified small and minority owned telecommunications businesses in this respect.

Further, with respect to its Tennessee business operations, it is the policy of CTSI to provide information on programs, if any, to provide technical assistance to small and minority owned telecommunications businesses when and where available in Tennessee.

CTSI acknowledges its obligation to contribute its share to the fund established by the Department of Economic and Community Development in accordance with Section 16 of Chapter 408 of the Public Acts of 1995 (the "Act") for the purpose of funding the Small and Minority Owned Telecommunications Business Assistance Program, which provides for loan guarantees, education services, and technical assistance and services.

Definitions

"Act" - Section 16 and 17 of Chapter 408 of the Public Acts of 1995.

"CTSI, Inc." or "CTSI", a Pennsylvania corporation with administrative offices located at 300-H Laird Street, Wilkes-Barre, Pennsylvania 18702. The telephone number is 570-208-3291 and the facsimile number is 570-208-6396.

"Minority Owned Telecommunications Business" - a telecommunications business which is solely-owned, or at least fifty-one percent (51%) of the assets or outstanding stock of which is owned, by an individual who personally manages the daily operations of such business, and who is impeded from normal entry into economic mainstream because of race, religion, sex or national origin and such business has annual gross receipts of less than four million dollars ($4,000,000), or as otherwise modified or amended in the future by the legislature for the State of Tennessee:

13. "Personally Manages" in this context shall mean actively involved in the day-to-day management.

14. "Controls" in this context shall mean exercising the power to make policy decisions.

15. "Who is impeded from normal entry" in this context shall mean individuals who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their qualities as individuals and as provided in the regulation implementing Section B(a) and 7(j) of the Small Business Act, as amended by the Business Opportunity Development Reform Act of 1988, and Business Opportunity Development Reform Act Technical Corrections Act, (15 U.S.C. 67(a) and 636(j)), as amended by Pub. L. 100-656 and Pub. L. 101-37.

"Small Telecommunications Business" - A telecommunications company with annual gross receipts of less than four million dollars ($4,000,000), or as otherwise modified or amended in the future by the legislature for the State of Tennessee.

"Subcontract" - Any agreement (other than one involving an employer-employee relationship) entered into by CTSI with a non-affiliated company or individual calling for the direct or indirect purchase of raw materials, components, supplies and services needed to support CTSI's operations.

Goals

The goals of CTSI's Small and Minority Owned Telecommunications Business Participation Plan ("Plan") is to identify small and minority owned telecommunications businesses that are qualified to provide goods and services and to promote awareness among these businesses of the opportunities to develop business relationships with CTSI.

Plan Implementation

When appropriate, CTSI will invite bids, issue reports for proposals, or otherwise solicit offers from small and minority owned telecommunications businesses, except in the case of emergencies, or in cases where CTSI is bound by contract to purchase goods and services from other sources, to furnish specified goods or services to CTSI in furtherance of its Tennessee operations.

Plan Administration

In conducting its business affairs in Tennessee, CTSI will appoint one of its employees as the Administrator of the Plan. The Administrator will be responsible for obtaining and utilizing available resources for identifying small telecommunications business and minority owned telecommunications businesses interested and qualified in furnishing goods and services to CTSI and to cultivate an awareness among such businesses as to any opportunities to develop business relations with CTSI. The Administrator will also serve as resource for technical assistance to small telecommunications businesses and minority owned telecommunications business and will refer such businesses to sources of information and other technical assistance.

Plan Administrator

The administration of this Plan will be under the direction of (hereinafter called the "Administrator"):

Mark DeFalco
Director of Regulatory Affairs
300-H Laird Street
Wilkes-Barre, Pennsylvania 18702
(570) 208-3291(Tel.)
(570) 208-6396 (Fax)

The duties of the Administrator are, among other things:

1. To develop policies and procedures to assure success of the Plan

2. To maintain a current Plan acceptable to the Tennessee Regulatory Authority.

3. To conduct certification surveys as to the status of suppliers.

4. To establish and maintain a database and records in support of the Plan pursuant to the requirements of the Tennessee Regulatory Authority.

5. To search diligently for qualified small and minority owned telecommunications businesses and concerns through:

    1. The Small Business Administration's Procurement Automated Source System (PASS), and publications of the Office of Minority Business Data Center in the Department of Commerce and the Office of Minority Small Business and Capital Ownership Development in the Small Business Administration.

    2. Local and national associations and Minority Supplier Development councils.

    3. Participation in trade fairs and industry meetings.

    4. Advertisement in industry and local publications.

6. To prepare and submit such forms and information as may be required by the Tennessee Regulatory Authority.

7. Maintain liaison and cooperation with the Tennessee Regulatory Authority, and other agencies of the State of Tennessee to find and utilize qualified business concerns defined herein.

8. To support activities for assisting buyers in locating and qualifying the business concerns defined herein.

9. To provide required records and reports and cooperate in any authorized surveys by the Tennessee Regulatory Authority.

Compliance Reports

CTSI will submit reports, as may be required, for use in connection with subcontracting plans by the Tennessee Regulatory Authority and/or the State of Tennessee. CTSI will cooperate fully with all reasonable and appropriate surveys or studies required by the contracting agency in determining program compliance. However, CTSI reserves the right to designate documents, reports, surveys and/or studies as "confidential" or "proprietary."

Record Maintenance

CTSI will maintain records relating to CTSI's Small and Minority Owned Telecommunications Business Participation Plan for the purpose of evidencing the implementation of this policy, for use by CTSI in evaluating the effectiveness of the Plan and in obtaining the goals of the Plan, and for use in updating the Plan on an annual basis with the Tennessee Regulatory Authority, or as otherwise required.

ADOPTED THIS 17th day of November, 1999.

CTSI, Inc.

By: Gary M Zingaretti

Gary M. Zingaretti
Vice President, Industry Relations
CTSI, Inc.

253487.1

Exhibit 6

Rule Compliance Agreement

CTSI, Inc., in applying for authority as provider of Facilities-Based, Local Exchange and Interexchange Telecommunications Services, hereby affirms the following:

- Has received, read, and understands the Tennessee Regulatory Authority (TRA; formerly TPSC) Facilities-Based, Local Exchange and Interexchange Telecommunications Services Rules and Regulations.
- Understands the penalties for non-compliance, and all associated fees to provide such service.
- Will comply with the TRA Facilities-Based, Local Exchange and Interexchange Telecommunications Services Rules and all other applicable Authority Rules and state laws, including T.C.A. Section 65-5-206.
- That all information provided in the attached Petition is true to the best of my knowledge.

By: CTSI, Inc.
Company Name

Gary M Zingaretti
Gary M. Zingaretti
Vice President, Industry Relations

Subscribed and sworn before me

this 17th day of November, 1999.

Elaine Daigeaun
Notary Public

My Commission Expires

on NOTARIAL SEAL
ELAINE DAIGEAUN, NOTARY PUBLIC
WILKES-BARRE, LUZERNE COUNTY
MY COMMISSION EXPIRES DECEMBER 2, 2000

Seal

Exhibit 7

Tariff

REGULATIONS AND SCHEDULE OF INTRASTATE CHARGES

APPLYING TO COMMUNICATIONS SERVICES WITHIN

THE STATE OF TENNESSEE

BY

CTSI, INC.

3950 Chambers Hill Road, Harrisburg, PA 17111

SECTION 1

GENERAL REGULATIONS

Issued By: Ronald L. Reeder - Senior Manager, Regulatory and Public Affairs
3950 Chambers Hill Road, Harrisburg, PA 17111

GENERAL REGULATIONS

A. APPLICATION OF TARIFF

The regulations and schedules of charges in this tariff govern the furnishing of local telephone service and facilities by CTSI, Inc., hereafter referred to as the Company within its operating territory in the State of Tennessee.

This tariff supplements and governs all other applicable tariffs of the Company and also any tariffs or portions of tariffs of other companies with which this Company concurs.

B. USE OF SERVICE

1. Telephone Service Defined

The term "service" as used throughout this tariff refers to the distribution and the switching equipment required to establish and maintain connections between customers within the local calling area and connections between customers within the local calling area and connections with the toll (long distance) network.

2. Abuse or Fraudulent Use

Service is furnished subject to the condition that there will be no abuse or fraudulent use of the service. Abuse or fraudulent use of service includes, but is not limited to:

B. USE OF SERVICE (cont'd)

2. Abuse or Fraudulent Use (cont'd)

a. The use of service or facilities of this Company for a call or calls anonymous or otherwise, if in a manner reasonably to be expected to frighten, abuse, torment, or harass another.

b. The use of profane or obscene language.

c. The impersonation of another with fraudulent intent.

d. The use of the service in such a manner as to interfere with the service of others or to prevent others from making or receiving calls over their telephone service.

e. The use of the service for any purpose other than as a means of communication.

f. The use of service or facilities of this Company to transmit a message or to locate a person or otherwise to give or obtain information, without the payment of the applicable local message charge or message toll charge.

g. The obtaining, or attempting to obtain, or assisting another to obtain or attempt to obtain, network access by rearranging, tampering with, or making connection with any facilities of this Company or by any trick, scheme, false representation, false credit device, or by or through any other fraudulent means or device whatsoever, with intent to avoid the payment, in whole or part, of the regular charge for network access.

B. USE OF SERVICE (cont'd)

3. Obligation to Furnish Service

a. Availability of Facilities

The Company's obligation to furnish service is dependent upon its ability to secure and retain without unreasonable expense, suitable facilities and rights for the construction, installation, testing and maintenance of the necessary pole lines, circuits and equipment.

b. Liability of the Company

Because the Customer has exclusive control of its communications over the services furnished by the Company, and because interruptions and errors incident to these services are unavoidable, the services the Company furnishes are subject to the terms, conditions, and limitations specified in this tariff and to such particular terms, conditions, and limitations as set forth in the special regulations applicable to the particular services and facilities furnished under this tariff.

B. USE OF SERVICE (cont'd)

3. Obligation to Furnish Service (cont'd)

b. Liability of the Company (cont'd)

The Company shall not be liable for any act or omission of any entity furnishing to the Company or the Company's Customers, facilities or equipment used for or with the services the Company offers.

The Company shall not be liable for any damages or losses due to the fault or negligence of the Customer or due to the failure or malfunction of Customer provided equipment or facilities.

The Company shall not be liable for the claims of vendors supplying equipment to Customers of the Company which may be installed at premises of the Company nor shall the Company be liable for the performance of said vendor or vendor's equipment.

The Company does not guarantee nor make any warranty with respect to installations it provides for use in an explosive atmosphere. The Customer indemnifies and holds the Company harmless from any and all loss, claims, demands, suits, or other action, or any liability whatsoever, whether suffered, made, instituted, or asserted by any other party or person(s), and for any loss, damage, or destruction of any property, whether owned by the Customer or others, caused or claimed to have been caused directly or indirectly by the installations, operation, failure to operate, maintenance, removal, presence, condition, location, or use of any installation so provided.

B. USE OF SERVICE (cont'd)

3. Obligation to Furnish Service (cont'd)

b. Liability of the Company (cont'd)

The Company shall not be liable for any failure of performance or equipment due to causes beyond its control, including but not limited to: acts of God, fire, flood or other catastrophes; any law, order, regulation, direction, action, or request of the United States Government, or of any other government, including state and local governments having or claiming jurisdiction over the Company, or of any department, agency commission, bureau, corporation, or other instrumentality of any one or more of these federal, state or local governments, or any civil or military authority; national emergencies; insurrections; riots; wars; unavailability of rights-of-way or materials; or strikes, lock-outs, work stoppages, or other labor difficulties.

The Company is not liable for any defacement of or damage to the premises of a Customer (or authorized or joint user) resulting from the furnishing of services or equipment on such premises or the installation or removal thereof, when such defacement or damage is not the result of negligence or willful misconduct on the part of the agents or employees of the Company.

The Company shall not be liable for any damages whatsoever to property resulting from the installation, maintenance, repair or removal of equipment and associated wiring unless the damage is caused by the Company's willful misconduct or negligence.

B. USE OF SERVICE (cont'd)

3. Obligation to Furnish Service (cont'd)

b. Liability of the Company (cont'd)

The Company shall not be liable for any damages resulting from delays in meeting any service dates due to delays resulting from normal construction procedures. Such delays shall include, but not limited to, delays in obtaining necessary regulatory approvals for construction, delays in obtaining right-of-way approvals and delays in actual construction work.

The Company shall not be liable for any damages whatsoever associated with service, facilities, or equipment which the Company does not furnish or for any act or omission of Customer or any other entity furnishing services, facilities or equipment used for or in conjunction with CTSI service.

The Company shall not incur any liability, direct or indirect, to any person who dials or attempts to dial the digits "9-1-1" or to any other person who may be affected by the dialing of the digits "9-1-1".

The Company makes no warranties or representations, express or implied either in fact or by operation of law, statutory or otherwise, including warranties of merchantability and fitness for a particular use, except those expressly set forth herein.

c. Priority of Service

In case a shortage of facilities exists at any time, either for temporary or protracted periods, the establishment of network access services shall take precedence over all other services.

B. USE OF SERVICE (cont'd)

3. Obligation to Furnish Service (cont'd)

d. Directory Errors and Omissions

The Company's liability arising from errors or omissions in its directories or in accepting listings presented by customers or prospective customers shall be limited to resulting impairment of the customer's service and the Company may discharge such liability by an abatement or refund of an amount not exceeding the directory or listing charge for the service during the period covered by the directory in which the error or omission occurs. The Company will not be a party to controversies arising between customers or others as a result of listings published in its directories.

e. Transmitting Messages

Except as otherwise specifically provided in this tariff, the Company does not transmit messages but offers the use of its facilities for communications between customers.

f. Recordings

Since the customer and calling parties have exclusive control over the quality and characteristics of messages recorded, the Company has no liability for the quality of, or defect in, the recordings of such messages.

g. Provision of Facilities

Equipment and facilities necessary for the provision of a given service will be furnished by the Company, except as otherwise provided in this tariff.

B. USE OF SERVICE (cont'd)

4. Obligation of the Customer

a. General

The Customer shall be responsible for:

(1) the payment of all applicable charges pursuant to this tariff;

(2) reimbursing the Company for damage to, or loss of, the Company's facilities or equipment caused by the acts or omissions of the Customer; or the noncompliance by the Customer, with these regulations; or by fire or theft or other casualty on the Customer's premises, unless caused by the negligence or willful misconduct of the employees or agents of the Company. The Company will, upon reimbursement for damages, cooperate with the Customer in prosecuting a claim against the person causing such damage and the Customer shall be subrogated to the Company's right of recovery of damages to the extent of such payment;

(3) providing at no charge, as specified from time to time by the Company, any needed personnel, equipment, space and power to operate Company facilities and equipment installed on the premises of the Customer, and the level of heating and air conditioning necessary to maintain the proper operating environment on such premises;

B. USE OF SERVICE (cont'd)

4. Obligation of the Customer (cont'd)

a. General (Cont'd)

(4) obtaining, maintaining, and otherwise having full responsibility for all rights-of-way and conduit necessary for installation of fiber optic cable and associated equipment used to provide local exchange service to the customer from the cable building entrance or property line to the location of the equipment space. Any costs associated with obtaining and maintaining the rights-of-way described herein, including the costs of altering the structure to permit installation of the Company-provided facilities, shall be borne entirely by, or may be charged by the Company to, the Customer. The Company may require the Customer to demonstrate its compliance with this section prior to accepting an order for service:

(5) providing a safe place to work and complying with all laws and regulations regarding the working conditions on the premises at which Company employees and agents shall be installing or maintaining the Company's facilities and equipment. The Customer may be required to install and maintain Company facilities and equipment within a hazardous area if, in the Company's opinion, injury or damage to the Company's employees or property might result from installation or maintenance by the Company. The Customer shall be responsible for identifying, monitoring, removing and disposing of any hazardous material (e.g. friable asbestos) prior to any construction or installation work;

B. USE OF SERVICE (cont'd)

4. Obligation of Customer (cont'd)

b. General (cont'd)

(6) complying with all laws and regulations applicable to, and obtaining all consents, approvals, licenses and permits as may be required with respect to, the location of Company facilities and equipment in any Customer premises or the rights-of-way for which Customer is responsible as described in the preceding, paragraph (4);

(7) not creating or allowing to be placed or maintained any liens or other encumbrances on the Company's equipment or facilities; and

(8) making Company facilities and equipment available periodically for maintenance purposes at a time agreeable to both the Company and the Customer. No allowance for interruptions in service will be made for the period during which service is interrupted for such purposes.

With respect to any service or facility provided by the Company, Customer shall indemnify, defend and hold harmless the Company from all claims, actions, damages, liabilities, costs and expenses for:

(1) Any claim, loss damage, expense or liability for infringement of any copyright, patent, trade secret, or any proprietary or intellectual property right of any third party, arising from any act or omission by the Customer, including, without limitation, use of the Company's services and facilities in an name not contemplated by the agreement between the Customer and the Company.

B. USE OF SERVICE (cont'd)

5. Special Assembly - Special Equipment and Service Arrangements

In cases where customers desire a special type of service for which provision is not otherwise made, a monthly rate and charge is quoted based on the actual cost of furnishing such service, when in the judgement of the Company there is not reason for refusing to render the special service desired.

6. Customized Service Packages

Customized service packages and competitive pricing arrangements at negotiated rates may be furnished on a case-by-case basis in response to requests by Customers for proposals or competitive bids. Service offered under this tariff provision will be provided to Customers pursuant to contract. Unless otherwise specified, the rates, terms and conditions for such arrangements are in addition to the applicable regulations and prices in other sections of the tariff. Specialized rates or charges will be made available to similarly situated Customers on a non-discriminatory basis.

7. Equipment and Channels

Equipment and channels furnished by the Company on the premises of a customer are the property of the Company, whose agents and employees shall have the right to enter said premises at any reasonable hour for the purpose of installing, inspecting, maintaining or repairing the equipment, telephone and lines, or for the purpose of making collections from coin boxes, or upon termination of the service, for the purpose of removing such equipment, telephones and lines. No credit will be allowed for any interruptions occurring as a result of the above.

B. USE OF SERVICE (cont'd)

8. Identification of Recorded Public Announcements

Use of Company facilities for public announcements is subject to the following conditions: For purpose of identification, customers of telephone service who transmit recorded public announcements over facilities provided by the Company must include in the recorded message the name of the organization or individual responsible for the service and the address at which the service is provided.

9. Compliance with FCC Rules and Regulations Governing Network Access

All connections to the network by the Company or by the customer must comply with the Rules and Regulations of the Federal Communications Commission (FCC) as are now in effect or implemented in the future.

10. Customer-Owned and Maintained Equipment

It is an obligation of the customer to insure that the magnitude and character of voltage and current transmitted from customer-owned and maintained facilities and equipment, the operation and maintenance of such facilities and equipment shall not interfere with any of the services offered by the Company or interfere with others. The characteristics of customer-owned and maintained facilities and equipment shall be such that its connection to the network will not interfere with network services. The character and location of customer-owned and maintained equipment and of the apparatus and sources of power to which such equipment may be connected shall be such as not to cause damage to Company plant or injury to Company employees or customers. Upon notice from the Company that the equipment of the customer is causing or is likely to cause hazard or interference, the customer shall make such changes as may be necessary to remove or prevent such hazard or interference.

B. USE OF SERVICE (cont'd)

10. Customer-Owned and Maintained Equipment (cont'd)

The Company may interrupt the connection if at any time such action should become necessary in order to protect any of its services because of departure from the preceding compatibility requirements. No credit will be allowed for interruptions occurring during the above.

11. Interconnection of Facilities

Any special interface equipment necessary to achieve compatibility between the facilities and equipment of the Company used for furnishing local exchange service and the channels, facilities, or equipment of others may be provided at the Customer's expense.

Local Service may be connected to the services or facilities of other communications carriers only when authorized by, and in accordance with, the terms and conditions of the tariffs of the other communications carriers which are applicable to such connections.

Facilities furnished under this tariff may be connected to Customer provided terminal equipment in accordance with the provisions of this tariff.

C. ESTABLISHMENT AND FURNISHING OF SERVICE

1. Installation, Relocation, Maintenance and Repairs

The facilities owned by the Company must be installed, relocated, maintained and repaired by the Company. However, the Company reserves the right to require the customer to install and maintain, in accordance with the Company's specifications, facilities furnished by the Company located in places where such

C. ESTABLISHMENT AND FURNISHING OF SERVICE (cont'd)

1. Installation, Relocation, Maintenance and Repairs (cont'd)

installation and maintenance by the employees of the Company would involve unusual hazard. The customer shall be responsible for damage to facilities of the Company caused by the negligence or willful act of the customer or by the location of the facilities to meet the customer's requirements at points involving unusual hazard to such facilities. The customer may not rearrange, disconnect, remove or attempt to repair or permit others to rearrange, disconnect, remove or attempt to repair any equipment installed by the Company except upon the consent of the Company.

If extraneous electrical impulses and/or other interference are present at the customer's premises and require Company equipment or facilities to be modified, such modification shall be performed by the Company and the cost thereof shall be borne by the customer. If modification of customer-owned and maintained facilities is required, the customer is responsible for modification and shall bear the cost.

2. Cancellation or Change of Application for Service Prior to Establishment

When an application for service is canceled or changed, in whole or in part, by the applicant prior to the establishment of service, the applicant is required to pay the Company, upon request, the aggregate of the costs and expenses incurred by the Company, for any work performed upon the application prior to the cancellation or change of the service.

The payment to the Company required of the applicant shall not exceed the aggregate of the non-recurring and minimum contract period charges, including but not limited to, construction and termination charges, which would have applied if the service and facilities had been established prior to such cancellation, change, or change in location.

C. ESTABLISHMENT AND FURNISHING OF SERVICE (cont'd)

3. Transfer of Service

Transfer of service from one customer to another is permitted subject to the application of termination charges and service charges in accordance with this tariff.

The call number associated with the telephone service to be transferred may, upon request of either customer, be associated with the new customer's service if the new customer assumes all charges outstanding at the time of transfer and obtains, if requested by the Company, the written consent of the customer from whom the service is transferred.

The Company may assign its rights and duties (a) to any subsidiary, parent company or affiliate of the company; (b) pursuant to any sale or transfer of substantially all the assets of the Company; or © pursuant to any financing, merger or reorganization of the Company.

4. Telephone Directories

The Company shall provide a single directory listing, termed the primary listing, in the telephone directory published by the local exchange provider in the Customer's exchange area of the Station number which is designated as the Customer's main billing number. Directory listing of additional Company Station numbers, other than the Customer's main billing number, associated with a Customer's service will be provided for an additional monthly recurring charge per listing.

C. ESTABLISHMENT AND FURNISHING OF SERVICE (cont'd)

5. Telephone Numbers

The area code, or codes, central office designation, or designations, or line number, or numbers, or all of them, to be associated with a customer's telephone service shall be determined by the Company; and the Company reserves the right to change such codes, designations, or numbers, or all of them, associated with a customer's telephone service as the conduct of the business may require. The customer has no proprietary right in any area code, central office designation, or line number.

6. Overtime Work

When, at the subscriber's request, work is performed at other than regular business hours of the Company, an extra charge for such work will be made to compensate for the current overtime wage rates.

7. Standby Workmen

In situations such as sporting events, one-time entertainment events, etc., where the customer requests that "standby workmen" be provided to safeguard the continuity of service, the entire cost of providing those "standby workmen" may be billed to the customer, regardless of whether such "standby workmen" were provided during regular or overtime working hours.

D. BILLING AND PAYMENTS

1. Contracts for Service

Upon acceptance of an application for service, all the applicable provisions in the Company's tariffs lawfully on file become the contract between the customer and the Company. The Company reserves the right to require applications for service to be made in writing on forms supplied by it. Two forms of identification may be required as proof of the identity of an applicant, in which case, applications will be processed after identification has been established.

Requests for additional service and requests for changes in service, upon acceptance thereof by the Company become a part of the original contract, except that each item of additional service so installed is subject to the appropriate minimum contract period. The acceptance or use of service may be deemed an application for such service and an agreement to pay for it at the rates applicable thereto under the current tariff. Any change in rates or regulations lawfully made, acts as a modification of all contracts to that extent without further notice.

Except as otherwise provided in other sections of this tariff, service is furnished for a minimum contract term of one month. The Company also reserves the right to refuse service to those applicants who are indebted to the Company for service previously rendered until the indebtedness is satisfied or payment arrangements made.

D. BILLING AND PAYMENTS (cont'd)

2. Deposits

The Company may require an applicant or a customer to make a suitable cash deposit to be held by the Company as a guarantee of the payment of charges for service. The amount of such deposit generally shall not be in excess of one-twelfth the estimated average annual bill for all services, and in the case of seasonal service, in excess of one-half of the estimated charges for the service for the season involved; however, after service has been established and experience demonstrates that the amount of the outstanding deposit is not suitable to safeguard the interests of the Company, the Company may require an adjustment of the deposit. When service is terminated, any balance of the deposit remaining after deduction of all sums due the Company will be returned to the customer. Simple interest at a rate determined by the Tennessee Regulatory Authority (TRA) will be paid for the period during which the deposit is held by the Company.

When a customer with residence service has paid bills for nine consecutive months, or less at the option of the Company, without having had such service denied or disconnected for nonpayment, and without having had more than two occasions on which a bill was not paid within the period prescribed by the Company, and provided the credit of the customer is not otherwise impaired, the Company shall refund the deposit plus accrued interest. If the customer has had service denied or disconnected for nonpayment, or has had more than two such past due bills during the nine month period, the Company shall review the customers account every six months and shall refund the deposit plus accrued interest after the customer has not had service denied or disconnected for nonpayment, and has not had more than two such bills during the six months prior to any such review, provided that the credit of the customer is not otherwise impaired.

D. BILLING AND PAYMENTS (cont'd)

2. Deposits (cont'd)

When a customer with business service has paid bills for 24 consecutive months, or less at the option of the Company, without having had such service denied or disconnected for nonpayment, and without having had more than one occasion on which a bill was not paid within the period prescribed by the Company, and provided the credit of the customer is not otherwise impaired, the Company shall refund the deposit plus accrued interest. If the customer has had service denied or disconnected for nonpayment, or has had more than one such past due bill during the 24 month period, the Company shall review the customer's account every 12 months and shall refund the deposit plus accrued interest after the customer has not had service denied or disconnected for nonpayment, and has not had more than one such past due bill during the 12 months prior to any such review, provided that the credit of the customer is not otherwise impaired.

The fact that a deposit is held by the Company shall in no way relieve the applicant or customer from compliance with the Company's regulations as to advance payments and payment for service, nor constitute a waiver or modification of the regulations pertaining to the discontinuance of service for nonpayment of any sums due the Company for the service rendered.

D. BILLING AND PAYMENTS (cont'd)

3. Charges for Fractional Months

When service is established, discontinued or changed, the charge for service, equipment and facilities for the fractional part of the current billing month is a pro rata share of the monthly charge.

For purposes of administering this regulation, every month is considered to have thirty (30) days.

4. Payment for Service

The customer is responsible for payment of all charges for service and facilities furnished by the Company to the Customer or its Joint or Authorized Users. If an entity other than the Company imposes charges on the Company, in addition to its own internal costs, in connection with a service for which a Company non-recurring charge is specified, those charges may be passed on to the Customer.

D. BILLING AND PAYMENTS (cont'd)

4. Payment for Service (cont'd)

The Customer is responsible for the payment of any sales, use, gross receipts, excise, access or other local, state and federal taxes, charges, user fees, or surcharges (however designated) excluding taxes on the Company's net income imposed on or based upon the provision of Local Exchange Services, all of which shall be separately designated on the Company's invoices. Any taxes imposed by a local jurisdiction (e.g., County and municipal taxes) will only be recovered from those Customers residing in the affected jurisdictions. It shall be the responsibility of the Customer to pay any such taxes that subsequently become applicable retroactively.

A surcharge is imposed on all charges for service originating at addresses in states which levy, or assert a claim of right to levy, a gross receipt tax on the Company's operations in any such state, or a tax on interstate access charges incurred by the Company for originating access to telephone exchanges in that state. This surcharge is based on the particular state's receipts tax and other state taxes imposed directly or indirectly upon the Company by virtue of, and measured by, the gross receipts or revenues of the Company in that state and/or payment of interstate access charges in that state. The surcharge will be shown as a separate line item on the Customer's monthly invoice.

D. BILLING AND PAYMENTS (cont'd)

5. Billing and Collection of Charges

Bills will be rendered monthly to Customer. All service, installation, monthly recurring charges and non-recurring charges are due and payable upon receipt.

The Company shall present bills for recurring charges monthly to the Customer, in advance of the month which service is provided. Usage charges will be billed in arrears. For new Customers or existing Customers whose service is disconnected, the charge for the fraction of the month in which service was furnished will be calculated on a pro rata basis. For this purpose, every month is considered to have 30 days.

Amounts not paid within 30 days after the date of invoice are considered past due.

All bills rendered by the Company are due on the specified due date of each bill. A Late Payment Charge of 1.25 percent of the overdue portion not including previously imposed interest of the unpaid balance and applicable Federal Excise Tax will be charged to customer accounts with an unpaid balance carried forward on any bill.

A $20.00 charge will be assessed for checks with insufficient funds or non-existing accounts.

6. Disputed Bills

The customer shall notify the Company of any disputed items on a bill. If the customer and the Company are unable to resolve the dispute to their mutual satisfaction, the Customer may file a complaint with the Tennessee Regulatory Authority in accordance with the TRA's rules of procedure.

D. BILLING AND PAYMENTS (cont'd)

6. Disputed Bills (cont'd)

In the event of a disputed bill, the address and phone number of the Tennessee Regulatory Authority is as follows: 460 James Robertson Parkway, Nashville, TN 37243-0505, (800) 342-8359.

The toll free number to report a billing dispute to CTSI, Inc. is as follows: 1-888-278-8783

Overcharge-Undercharge Adjustment. When a customer has been overcharged or undercharged for services because of incorrect application of the rate schedule, inaccurate measuring of services rendered, incorrect calculation of charges or similar reasons, the amount of overcharge or undercharge adjustment shall be determined separately during the period of time the discrepancy occurred, in accordance with the following:

(1) Overcharge Only. The total overcharge for the period the discrepancy occurred shall be refunded or credited to the customer.

(2) Undercharge Only.

(a) Unless authorized by the TRA, retroactive billing may not be for undercharges which occurred more than 12 months before the discovery of the error. A utility may seek the TRA's authorization for retroactive billing for undercharges which occurred more than 12 months but not more than 3 years before the discovery of the error if the customer knew, or reasonably should have known, that the bills were in error. The utility's request to the TRA shall be in writing and shall explain the factual basis for the request to the customer with a notice of the customer's right to write to the TRA, within 20 days, if the customer is in opposition to the request.

D. BILLING AND PAYMENTS (cont'd)

6. Disputed Bills (cont'd)

(2) (cont'd)

(b) If the total undercharge is more than 35 percent of the customer's average monthly bill during the preceding 3 months, the customer shall be allowed to enter into an installment plan to pay the total retroactive billing, without interest. In such a plan the monthly payments against the undercharge may not exceed 35 percent of the customer's average monthly bill during the preceding 3 months. However, if the installment plan will not recover within a 12-month period the total undercharge, the monthly payment may be equal to the total undercharge divided by 12 or a number greater than 12.

(c) Unless otherwise authorized by the TRA, the utility may deny service for nonpayment only for that portion of the undercharge applicable to the 4 months immediately before the discovery of the error.

(3) Combination of Overcharge-Undercharge. When a customer's account has items of overcharge and undercharge, the difference of the two items is then determined as the net adjustment in accordance with §(1) and (2), above.

D. BILLING AND PAYMENTS (cont'd)

7. Advance Payments

To safeguard its interests, the Company may require a Non-residence Customer to make an advance payment before services and facilities are furnished. The advance payment will not exceed an amount equal to the non-recurring charge (s) and three months' charges for the service or facility. In addition, where special construction is involved, the advance payment may also include an amount equal to the estimated non-recurring charges for the special construction and recurring charges (if any) over a period to be set between the Company and the Customer. The advance payment will be credited to the Customer's initial bill. An advance payment may be required in addition to a deposit.

8. Allowance for Service Interruptions

When main telephone service is interrupted for a period of at least 24 hours, the Company, after due notice by the customer, shall apply the following schedule of allowances except in situations as provided in Paragraph 2:

a.

(1) 1/30 of the tariff monthly rate of all services and facilities furnished by the Company rendered inoperative by the Company to the extent of being useless for each of the first three (3) full 24 hours periods during which the interruption continues after notice by the customer of the Company's condition that the out-of-service extends beyond a minimum period of 24 hours.

(2) 2/30 of each full 24 hour period beyond the first three 24 hour periods. However, in no instance shall the allowance for the out-of-service period exceed the total charges in a billing period for the service and facilities furnished by the company rendered inoperative to the extent of being useless.

D. BILLING AND PAYMENTS (cont'd)

8. Allowance for Service Interruptions (cont'd)

b. When service is interrupted for a period of at least 24 hours due to such factors as storms, fires, floods or other conditions beyond the control of the Company, an allowance of 1/30 of the tariff monthly rate for all services and facilities furnished by the Company rendered inoperative to the extent of being useless shall apply for each full 24 hours during which the interruption continues after notice by the customer to the Company.

Nothing contained herein and no tariff adopted hereto shall limit any responsibility or liability on the part of the telephone company to a Customer which would exist pursuant to law but for this rule and said tariff.

The foregoing allowances shall not be applicable where service is interrupted by the negligence or willful act of the Customer or where the Company pursuant to the terms of the contract for service suspends or terminates service for non-payment of charges or for unlawful or improper use of facilities or for any other reason provided for in the filed and effective tariff.

9. Cancellation for Cause

The Company may, without incurring any liability, immediately suspend or terminate the service and sever the connection without notice to the subscriber, for any of the following reasons or when injury or damage to our customers or telephone personnel, plant, property or service is occurring or is likely to occur:

a. Abandonment of the service.

b. Nonpayment of any sum due for service.

D. BILLING AND PAYMENTS (cont'd)

9. Cancellation for Cause (cont'd)

c. Use of foul or profane language over the service.

d. Impersonation of another person with fraudulent intent over the service.

e. Making of nuisance calls.

f. Use of service by a customer in connection with a plan or contrivance to secure a large volume of calls to be directed to such customer at or about the same time, resulting in preventing, obstructing or delaying the service of others.

g. Abuse or fraudulent use of service. Abuse or fraudulent use of service includes:

(1) The use of service or facilities of the Company to transmit a message or to locate a person or otherwise to give or obtain information, without payment of an applicable charge;

(2) The obtaining or attempting to obtain, or assisting another to obtain or to attempt to obtain telephone service, by rearranging, tampering with or making connection with any facilities of the Company, or by any trick, scheme, false representation or false credit device, or by or through any other fraudulent means or device whatsoever, with intent to avoid the payment, in whole or in part, of the established charge for such service. When it has been determined that a customer has obtained service in this manner, the Company may, without incurring any liability, immediately suspend or terminate the service without prior notice to the customer, if reasonably deemed necessary to protect against future loss of revenue or harm to itself or others. In such event, however, the Company will attempt to give prior notice by telephone of the suspension or termination of service.

D. BILLING AND PAYMENTS (cont'd)

9. Cancellation for Cause (cont'd)

h. Use of service in such a manner as to interfere with the service of other users.

i. Use of the service for any purpose other than as a means of communication.

j. Use of service for unlawful purposes.

k. Nonpayment of deposit required by the Company in accordance with TENNESSEE REGULATORY AUTHORITY REGULATIONS GOVERNING SERVICE SUPPLIED BY TELEPHONE COMPANIES.

l. When injury or damage to the public or Company personnel, plant, property or service is occurring or is deemed by the Company to be likely to occur. In such event, the Company shall endeavor to notify the customer, if reasonably practicable, before suspending or denying service. The Company may, however, immediately suspend or deny service, without incurring liability, if reasonably deemed necessary by it to protect against such injury or damage.

m. Any other violation of regulations as set forth in the Company's filed tariffs.

The Company may continue a suspension of service until all charges due have been paid and all violations have ceased, or terminate the service without suspension of service or following suspension of service, and disconnect and remove any of its equipment from the customer's premises.

D. BILLING AND PAYMENTS (cont'd)

9. Cancellation for Cause (cont'd)

During the period of suspension, the Company shall continue to bill the customer all monthly charges associated with the normal provision of such service.

Upon the Company's discontinuance of service to the Customer all applicable charges, including termination charges, shall become due. This is in addition to all other remedies that may be available to the Company at law or in equity or under any other provision of this tariff.

The Company will not suspend or terminate any service regulated by the Tennessee Regulatory Authority for which payment has been made because of the nonpayment of any sum due for a service not so regulated, without the prior authorization of the Tennessee Regulatory Authority.

SECTION 2

LOCAL EXCHANGE SERVICE

Sheet

A. EXCHANGE AREA SERVICE

The Company's Local Telephone Service provides a Customer with the ability to connect to the Company's switching network which enables the Customer to:

- place or receive calls to any calling Station in the local calling area, as defined herein;

- access enhanced 911 Emergency Service where available;

- access the interexchange carrier selected by the Customer for interLATA, intraLATA, interstate or international calling;

- access Operator Services;

- access Directory Assistance

- place or receive calls to 800 telephone numbers;

- access Telecommunication Relay Service.

1. Local Calling Areas

Exchanges and zones included in the local calling areas are specified below. NXX's associated with each particular exchange or zone may be found in the telephone directory published by the incumbent local exchange provider in the Customer's exchange area.

A. EXCHANGE AREA SERVICE (Cont'd)

2. Exchange and Zone Rate Groups and Exchange Areas

Exchange or Zone	Exchange and Zones Included in Exchange Area
Bristol	Blountville, Bluff City-Piney Flats, Bristol-TN, Bristol-VA, Church Hill, Fall Branch, Kingsport, Midway (Sullivan County), Sullivan Gardens
Chattanooga	Apison, Chickamauga-GA, Collegedale, Georgetown, High Point-GA, Kensington-GA, Lafayette-GA, Noble-GA, Ooltewah, Ringgold-GA, Rising Fawn-GA, Rossville-GA and vicinity which is part of the Chattanooga exchange, Soddy-Daisy, Trenton-GA, Villanow-GA, Westbrow-GA. Tennessee subscribers also receive local calling to Charleston, Cleveland, College Station, Dayton, Decatur, Dunlap, Fall Creek Falls, Jasper, Nine Mile, Pikeville, South Pittsburg, Spring City, Whitwell
Johnson City	Johnson City, Jonesborough-Sulphur Springs, Limestone and Midway (Washington County), Fall Branch
Kingsport	Blountville, Bluff City, Bristol-TN, Church Hill-Mt. Carmel, Fall Branch, Kingsport, Midway (Sullivan County), Morrison City-VA, Sullivan Gardens

A. EXCHANGE AREA SERVICE (Cont'd)

2. Exchange and Zone Rate Groups and Exchange Areas

Exchange or Zone	Exchange and Zones Included in Exchange Area
Knoxville	Bean Station, Bent Creek, Chestnut Hill, Claxton, Clinton, Concord, Dandridge, Gatlinburg, Greenback, Halls Cross Roads, Harriman, Jefferson City, Kingston, Lake City, Lenoir City, Loudon, Maryville, Mascot-Strawberry Plains, Maynardville, Norris, Oak Ridge, Oliver Springs, Powell, Rockwood, Rutledge, Sevierville, Sharps Chapel, Solway, Tate Springs, Washburn, West Sweetwater, White Pine
Memphis	Arlington, Collierville, Marion-AR, Memphis-MS (which is part of the Tennessee zone), Millington, Moscow (including South Moscow-MS and vicinity which is part of the Moscow exchange), Rosemark, Shelby Forest, West Memphis-AR, West Whiteville. Tennessee subscribers also receive local calling to Covington, Drummonds, LaGrange, Mason, Munford, and Somerville.

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3950 Chambers Hill Road, Harrisburg, PA 17111

B. Network Access Line

A Network Access Line provides the Customer with a single, voice-grade communications channel. Each Network Access Line will include a telephone number.

C. Local Exchange Service Offerings and Rates

1. Residence Service Offerings

a. Local Service - Provides the Customer with unlimited local calling to those exchanges identified in the Local Exchange Service portion of this tariff.

C. Local Exchange Service Offerings and Rates (cont'd)

2. Residence Rates - Monthly Recurring

Local Service	$12.00

C. Local Exchange Service Offerings and Rates (cont'd)

3. Non-residence Service Offerings

Business Essential Package - Provides the customer with unlimited calling to those exchanges identified in the Local Exchange Service portion of this tariff and telephone number retention.

4. Non-residence Rates - Monthly Recurring

Business Essential Package	$39.00

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SECTION 3

SERVICE CHARGES

Sheet

A. DEFINITIONS

The term Service Charge is defined as the non-recurring charge or charges applying to the ordering, installing, moving, changing, rearranging and furnishing of telephone service and miscellaneous and supplemental equipment and other telephone facilities. The charges are separately established as follows in order to provide a reasonable basis for an equitable recovery of the costs incurred in the required operations.

1. Service Order Charge

   Applicable for receiving information and taking action in connection with a customer's or applicant's request.

2. Premise Visit Charge

   Applicable for a required trip to customer's premises in connection with establishment of service, rearrangement of service, or installation of Company owned equipment when requested by the customer.

3. Central Office Network Access Charge

   Applicable for testing and connecting functions required within the central office and for the work associated with the circuit extending from the serving central office to the protector on the customer's premises.

4. Work Charge

   Applicable for work done on the customer's premises in connection with the installation, move or change of each item of Company owned equipment as specified in other sections of the tariff.

A. DEFINITIONS (cont'd)

5. Restoration Charge

Applicable for restoral of service following a temporary suspension of such service.

B. APPLICATIONS

1. General

Service charges are applicable to the establishment or changing of service, the assumption of service by a different customer and the move of service from one premise to another.

Changes in locations or terminations to points outside the customer's premises are considered new installations at the new location.

The non-recurring charge applicable for the establishment of Foreign Exchange Service is the total of those non-recurring charges applicable within the local and foreign exchanges.

The combination of charges applicable for a move or change of equipment or service will not exceed the charges applicable for a new installation of that equipment or service except as specified below.

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B. APPLICATIONS (cont'd)

1. General (cont'd)

Incorporated in this section is the assumption that the customer will allow the Company to complete the requested operations in a manner determined by the Company to be reasonable and efficient. When the customer requests that the Company carry out additional or extraordinary work which would not otherwise be required to complete the desired operation, charges in addition to those applicable as specified in this section may be applied. Additional work operations such as premises visits made to deliver new telephone number designations or additional service orders processed to effect multiple completion dates requested by the customer will be charged for at the levels specified in C., Schedule of Charges. Other requested services by the Customer for work to be performed other than during normally scheduled Company business hours will be charged for at appropriate rates (See Section C.5.).

a. Service charges do not apply for:

(1) Normal maintenance and repair of the Company's equipment and service including work functions which are not required due to the customer's request.

(2) An upgrade or downgrade of class of service.

(3) Company initiated orders, e.g., a number change required by a cutover or regrade, etc.

B. APPLICATIONS (cont'd)

1. General (cont'd)

(4) Record orders issued for corrective purposes.

(5) Change or correction in name or billing address for widows or widowers only when there is no connection, disconnection, move or change in service.

(6) No service charges apply for disconnection, discontinuance or removal of equipment or service.

(7) No service charge applies for the re-establishment of same or equivalent service as determined by the telephone company, for the same subscriber, at a location which has been destroyed or made untenantable by fire, wind or water. Service charges do apply for establishment of service at a new location, or for re-establishment of service at the same location for other than the previous customer.

2. Service Order Charge

Only one service order charge is applicable for requests for the same customer made at one time, for service at one premise, with the same requested completion date.

a. Primary service order change

(1) Applicable only for initial connection or establishment of telephone service.

B. APPLICATIONS (cont'd)

2. Service Order Charge (cont'd)

b. Secondary service order charge

(1) Applicable to all other customer requests for installing, moving, changing or rearranging telephone service and miscellaneous Company owned equipment.

3. Premise Visit Charge

Premise Visit Charges are applicable:

a. If a premise visit is required to complete any requested work on the customer's premises except as provided in d. below.

b. For visits to each premise required due to the customer's request.

c. For each return visit to the customer's premises which is required due to requests of or limitations imposed by the customer.

d. The premise visit charge does not apply for:

(1) Return trips to the same premises required due to time, equipment or service limitations of the Company.

(2) Removal of Company owned equipment or service.

B. APPLICATIONS (cont'd)

4. Central Office Network Access Charge

a. The central office network access charge applies to work performed in the central office and extending to the point of connection at the customer's premises. The charge applies for work including but not limited to:

(1) Connection or reconnection of local exchange lines, FX lines, local private lines, local off-premises extension lines and local tie lines (one charge per item).

(2) Number change on a local exchange central office network access or trunk (one charge per item).

(3) Restoration of service.

b. Charges, if any, applicable to central office work in exchanges of other companies are those applicable for that company.

c. Central office network access charges do not apply for:

(1) Transfer of service from one customer to another when there is no lapse in service.

B. APPLICATIONS (cont'd)

5. Work Charge

a. A work charge is applicable for work done at the customer's location in connection with the installation, move or change of each item of Company owned equipment or service as specified in other sections of the tariff.

b. Work charges do not apply when work is performed at the Company's initiative.

6. Changes in Telephone Number

a. Requests for changes in telephone number of central office lines or trunks, one secondary service order charge plus, for each number changed, a central office network access charge will apply.

b. Changes in telephone number of other than central office lines or trunks, one secondary service order charge and one premises visit charge, as appropriate, will apply.

c. The above charges do not apply when, in the judgement of the Company, changes in telephone number are necessary for continuation of satisfactory service.

B. APPLICATIONS (cont'd)

7. Restoration of Service

a. In the event service is temporarily suspended for non-payment of charges, such service will be restored upon payment of:

(1) All charges due or, at the discretion of the Company, a portion thereof, and

(2) The secondary service order charge and the central office network access charge as specified.

A deposit may be required prior to reestablishing service.

a. When at the request of the customer, service is temporarily suspended, the secondary service order charge and a central office network access charge will apply for the subsequent restoral of that service.

b. For the restoration of a line segment which is part of a local private line, local tie line, or local off-premises extension line, the secondary service order charge, central office network access charges and premise visit charge if appropriate will apply.

C. SCHEDULE OF CHARGES

		Non-Recurring Charge
1.	Service Order Charges	
	a) Primary, each	
	Residence	$ 18.00
	Non-residence	55.00
	b) Secondary, each	
	Residence	20.00
	Non-residence	39.05
2.	Premise Visit Charge, each	
	Residence	37.50
	Non-residence	75.00
3.	Central Office Network Access Charge, each	
	a) Exchange lines, each	
	Residence	24.00
	Non-residence	24.00
	b) PBX trunks, each	
	Residence	33.00
	Non-residence	24.00
	c) Centrex lines, each	24.00
4.	Work Charge, each 15 minute segment or fraction thereof of billable time required to complete the work	12.75
5.	Special Request Charges	Appropriate overtime rates.

C. SCHEDULE OF CHARGES (cont'd)

		Non-Recurring Charge
Other Charges:		
1. Changes in Telephone Number		
	Residence	20.00
	Non-residence	39.05
2. Restoration of Service		
	Residence	9.90
	Non-residence	10.80

SECTION 4

MISCELLANEOUS SERVICE AND EQUIPMENT

Sheet

Directory Listings:

A. ALPHABETICAL DIRECTORY

The following regulations and rates apply to listings in light face type in the alphabetical directories and the information records of the Company.

Listings are limited to information essential to the identification of the listed party. The Company reserves the right to use appropriate abbreviations in listings.

Listings which, in the judgement of the Company, are designed to advertise a commodity or service, or which are otherwise objectionable, are not permitted. A name made up by adding a term such as “Company”, “Agency”, “Shop”, “Works”, “Service”, etc., to the name of a commodity or service is not accepted as a listing, unless the customer is legally doing business under that name.

A name may be repeated in the same alphabetical directory list only when a different address or a different telephone number is listed.

B. PRIMARY DIRECTORY LISTINGS

1. Non-residence

One standard directory listing, termed the primary listing, is provided without extra charge for each non-residence customer having the following:

a. An individual network access line.

b. The first trunk line of a trunk group of a Private Branch Exchange System.

2. Residence

A primary standard listing will be provided without charge at the time service is established for each individual network access line. Residence listings are limited to members of the customer's household.

C. STANDARD LISTINGS

1. Standard Listings

A standard listing is the type of listing which may include a name, designation, address and telephone number to appear in the information records and the alphabetical directory for the territory in which the telephone service is located.

D. RATES FOR ADDITIONAL LISTINGS

The monthly rate for each listing (including Inward WATS) in excess of the allowance of free listings is as follows:

		Monthly Charge
Additional listings requested by the Customer in the local directory		
	Residence	$ 0.72
	Non-residence	0.83

E. UNLISTED NUMBERS

1. General

An Unlisted Number is one for which no listing appears in the alphabetical section of the directory. The number is listed in the directory assistance data base and is given out upon request.

2. Rates

		Monthly Charge
Unlisted Number		
	Residence	$ 1.39
	Non-residence	1.39

F. NON-PUBLISHED NUMBERS

1. General

Non-published telephone numbers are not listed in either the Company's alphabetical directory or information records. The general public does not have access to a non-published telephone number.

2. Rates

		Monthly Charge
Non-published telephone number, each listing		
	Residence	$ 2.22
	Non-residence	2.22

3. Disclaimer

The customer indemnifies and saves the Company harmless against any and all claims for damages caused or claimed to have been caused directly or indirectly, by the publication of the number of a non-published service or the disclosing of said number to any person.

G. DIRECTORY ASSISTANCE SERVICE

1. General

Directory Assistance Service is furnished upon customer request for assistance in determining telephone numbers. The regulations and rates set forth below apply when customers request assistance in determining telephone numbers with the same Numbering Plan Area designation, which are requested from a Tennessee Directory Assistance attendant in the originating Numbering Plan Area.

G. DIRECTORY ASSISTANCE SERVICE (cont'd)

2. Regulations

a. Exemptions

Charges for Directory Assistance Service are not applicable to the following types of calls of Directory Assistance:

(1) Calls from patients in hospitals, skilled nursing homes and convalescent homes which have been properly licensed by the State of Tennessee and which have as their predominant undertaking the surgical, medical and nursing care of the sick and disabled.

(2) Calls placed from residence telephones where a member of the customer's household has been certified by a registered physician or a designated agency as unable to use a directory because of a visual or physical handicap, or for the non-residence telephone of a certified handicapped customer where assistance is otherwise not available.

b. Multiple Number Request

A maximum of two requested telephone numbers per call are permitted.

G. DIRECTORY ASSISTANCE SERVICE (cont'd)

3. Rates

		Per Call Charge
a. Where the customer direct dials Directory Assistance		
	Residence	$ 0.50
	Non-residence	0.50
b. Where the customer places a call to the Directory Assistance attendant via a Company operator		
	Residence	1.55
	Non-residence	1.55

H. OPERATOR SERVICES

1. Line Status Verification

	Per Request Charge
Upon customer request, the operator will verify and provide the line status condition subject to a charge for each request.	$ 0.90

No charge will apply for a line status verification when a trouble condition is indicated on the line.

H. OPERATOR SERVICES (cont'd)

2. Call Interruption

	Per Request Charge
Upon customer request, the operator will verify the line status condition and interrupt a call in progress to notify the party on the call that another caller is attempting to contact the line. The charge for call interruption includes line status verification and call interruption.	$ 1.40

I. CONSTRUCTION AND ATTACHMENT CHARGES

The rates otherwise provided for in this tariff are based on furnishing service immediately adjacent to existing lines and facilities of the Telephone Company and on the use of lines and facilities engineered and construed according to common and accepted practices. When service is desired at points somewhat removed from existing lines and facilities, or when abnormal and unusual arrangements and installations are desired, such service and installations are subject to additional charges.

J. EMERGENCY SERVICES (Enhanced 9-1-1)

1. Description

a. Enhanced 9-1-1 service (E-9-1-1) is a telephone exchange communications service whereby a public safety answering point (PSAP) designated by the participating local governmental authority may receive and answer calls that have been placed by dialing the number 9-1-1.

b. E-9-1-1 service includes the services provided by the lines and equipment associated with the service arrangement for the answering, transferring and dispatching of public emergency telephone calls dialed to 9-1-1.

c. E-9-1-1 service consists of: A) Automatic Number Identification (ANI); B) Selective Call Routing; and C) Automatic Location Identification (ALI).

(1) ANI provides for the telephone number of the calling party to be forwarded to the PSAP. ANI is only available for calls placed from one-party lines.

(2) Selective Call Routing is available when an E-9-1-1 system is served by more than one PSAP. This service routes the call to the correct PSAP based on the caller's telephone number. Selective Call Routing is available only for calls placed from one-party lines.

J. EMERGENCY SERVICES (Enhanced 9-1-1) (cont'd)

1. Description (cont'd)

c. (cont'd)

(3) ALI provides the name and address associated with the calling party's telephone number to the PSAP for display. Additional telephones with the same number as the calling party's (secondary locations, off-premise, etc.) will be identified with the address of the telephone number at the main location.

2. General Regulations

a. The service is limited to the use of central office telephone number 9-1-1 as the emergency telephone number. Only one E-9-1-1 service will be provided within any government agency's locality.

b. The service is furnished to the customer only for the purpose of receiving reports of emergencies by the public.

c. E-9-1-1 service is a telephone exchange communications service and is arranged for one-way incoming service to an appropriate PSAP.

d. E-9-1-1 service is provided solely for the benefit of the local governmental unit. The provision of such service shall not be interpreted, continued, or regarded as being for the benefit of, or creating any Company obligation toward, or any right of action on behalf of, any third person or other legal entity.

J. EMERGENCY SERVICES (Enhanced 9-1-1) (cont'd)

2. General Regulations (cont'd)

e. The Company does not undertake to answer and forward E-9-1-1 service calls but furnishes the use of its facilities to enable the participating local government authority personnel to accept such calls on the participating local governmental authority designated premises.

f. E-9-1-1 service information consisting of the names, addresses, and telephone numbers of customers who subscribe to nonpublished telephone service is confidential and the PSAP agency agrees to use such information only for the purposes of responding to emergency E-9-1-1 service calls.

g. Any party residing within the E-9-1-1 service area forfeits the privacy afforded by nonpublished telephone service to the extent that the customer's name, address, and telephone number associated with the originating station are furnished to the PSAP.

h. The Company's entire liability to any person for interruption or failure of E-9-1-1 service shall be limited by the terms set forth in this section and other sections of this tariff.

i. The participating local governmental authority will have the responsibility to determine whether the system is functioning properly for its use and shall promptly notify the Company in the event the system is not functioning properly.

j. The Company shall not be liable for any loss or damages arising out of errors, interruptions, defects, failures or malfunctions of E-9-1-1 service, including any and all equipment and data processing system associated therewith. Damages arising out of such interruptions, defects, failures or malfunctions of the system after the Company has been notified, and has had a reasonable time for repair, shall in no event exceed an amount equivalent to the charges made for the service affected for the period following notice from the participating local governmental authority until service is restored.

J. EMERGENCY SERVICES (Enhanced 9-1-1) (cont'd)

2. General Regulations (cont'd)

k. E-9-1-1 service will be designed by the Company to provide at least the same level of service reliability and quality as local exchange telephone service in the exchanges where E-9-1-1 service is offered.

l. Because the Company serving boundaries and political subdivision boundaries may not coincide, the participating local governmental authority must make arrangements to handle all calls received on its E-9-1-1 service lines that originate from all telephones served by central offices within the E-9-1-1 service area whether or not the calling telephone is situated on property within the geographical boundaries of the participating local governmental authority's public safety jurisdiction.

m. Application for E-9-1-1 service must be executed in writing by each customer and must be accompanied by satisfactory proof or authorization to provide E-9-1-1 service in the exchanges where service is requested. If application for service is made by an agent, the Company must be provided in writing with satisfactory proof of appointment of the agent by the participating local governmental authority.

n. In addition to all other terms and conditions, the following customer requirements will apply:

(1) The participating local governmental authority will answer all E-9-1-1 service calls on a 24-hour, seven day week basis.

(2) The participating local governmental authority has the responsibility for dispatching the appropriate emergency service within the
E-9-1-1 service area, or will undertake to transfer all E-9-1-1 service calls received to the governmental agency with responsibility for dispatching such services, to the extent that such services are reasonably available.

J. EMERGENCY SERVICES (Enhanced 9-1-1) (cont'd)

2. General Regulations (cont'd)

n. (cont'd)

(3) The participating local governmental authority will develop an appropriate method for responding to calls for nonparticipating agencies which may be directed to an E-9-1-1 service PSAP by calling parties.

o. The participating local governmental authority will agree to release, indemnify and hold harmless the Company for any infringement or invasion of the right of privacy of any person or persons, caused or claimed to have been caused, directly or indirectly, by the installation, operation, failure to operate, maintenance, removal, presence, condition, occasion or use therewith, or by any services furnished by the Company in connection therewith, including but not limited to, the identification of the telephone number, address or name associated with the telephone used by the party or parties accessing E-9-1-1 service.

p. This service is offered solely as an aid in handling assistance calls in connection with fire, police and other emergencies. The Company is not responsible for any losses, claims, demands, suits or any liability whatsoever, whether suffered, made, instituted, or asserted by the customer or by any other party or person, for any personal injury to or death of any person or persons, and for any loss, damage or destruction of any property, whether owned by the customer or others, caused or claimed to have been caused by the installation, operation, failure to operate, maintenance, removal, presence, condition, location or use of such equipment and facilities.

J. EMERGENCY SERVICES (Enhanced 9-1-1) (cont'd)

2. General Regulations (cont'd)

p. (cont'd)

Neither is the Company responsible for any infringement or invasion of the right of privacy of any person or persons, caused or claimed to have been caused, directly or indirectly, by the installation, operation, failure to operate, maintenance, removal, presence, condition, occasion or use of Enhanced 9-1-1 features and the equipment associated therewith, or by any services furnished by the Company in connection therewith, including, but not limited to, the identification of the telephone number, address or name associated with the telephone used by the party or parties accessing Enhanced 9-1-1 Service.

The liability of the Company is further expressly subject to the provisions of the Company's General Regulations in Section 1 preceding regarding willful misconduct, willful neglect or gross negligence.

q. The rates and charges contained in this tariff section contemplate the use of standard configurations and quantities of facilities. When excess facilities are ordered by the participating local governmental authority, the rates and charges for those facilities will be billed to the participating local governmental authority, when deemed appropriate by the Tennessee Regulatory Authority.

J. EMERGENCY SERVICES (Enhanced 9-1-1) (cont'd)

3. Rates and Charges

a. The following rates and charges apply to the Company subscriber and are in addition to all other applicable rates and charges shown elsewhere in this tariff or the expenses incurred by the Company from other telephone companies that participate in the provision of the service.

		Installation Charge	Per Month Charge
(1)	ANI (per 1000 access lines)	$ 840.00	$ 45.00
(2)	Selective Call Routing (per 1000 access lines)	$ 1535.00	$ 140.00
(3)	Selective Call Routing, when provided in combination with Automatic Number Identification (per 1000 access lines)	$ 700.00	$ 93.00
(4)	Selective Call Routing, when provided in combination with Automatic Number Identification and Automatic Location Identification (per 1000 access lines)	$ 455.00	$ 12.00
(5)	Initial Enhanced 911 Service installation (per 1000 access lines)	$ 2700.00	N/A
(6)	Additional Enhanced 911 Service Line Connecting at the Public Safety Answering Point, each	$ 400.00	$

115.00

(7) Monthly Recurring (per 1000

access lines)	N/A	$ 85.00

K. TENNESSEE RELAY SERVICE

The Tennessee Relay Service is a relay telecommunications service for the deaf, hearing and/or speech disabled population of Tennessee. The service permits telephone communications between individuals with hearing and/or speech disabilities who must use a Text Telephone and individuals with normal hearing and speech as provided in the tariff filed by AT&T Communications of Tennessee, Inc.

A completed telecommunications relay service assisted call is rated and billed as a call from the originating telephone number (calling station) to the terminating telephone number (called station).

Direct dialed, calling card, and operator handled calls may be placed through Tennessee Relay Service. Cellular calls, conference calls and calls paid by depositing coins in a public or semi-public telephone are not permitted.

L. LIFELINE TELEPHONE SERVICE

1. General

Lifeline Telephone Service is an offering designed to help qualified customers pay for their exchange service. Such qualified customers are charged a reduced rate for their local telephone service.

2. Regulations

a. Lifeline Telephone Service is available to qualified customers and is provided via a residence measured rate individual line.

b. Lifeline Telephone Service is exchange service and, as such, is subject to the regulations governing Local Exchange Service in Section 2 of this tariff. The rates specified herein for Lifeline Telephone Service apply in lieu of the rates for Local Exchange Service in Section 2, preceding, except as may otherwise be specified following.

c. Lifeline Telephone Service shall be made available to qualified low income residential customers who are:

Social Security Supplemental Security Income benefit recipients, Aid for Dependent Children benefit recipients, Aid for Dependent Children-Unemployed benefit recipients, food stamp recipients or whose total household income is at or below the income level established for Social Security Supplemental Security Income eligibility.

In order to qualify for Lifeline Telephone Service, a customer must be certified by the Department of Human Services to the Company as eligible for Lifeline Telephone Service.

d. Lifeline Telephone Service will continue to be provided to a customer only so long as such customer is certified as eligible by the Department of Human Services.

L. LIFELINE TELEPHONE SERVICE (cont'd)

2. Regulations (cont'd)

e. When the Company receives notice from the Department of Human Services, or from the customer, that the customer is no longer eligible for Lifeline Telephone Service, the Company will then notify the customer that the Lifeline Telephone Service will be disconnected or changed to another class of residence service.

f. No other exchange service may be provided on the same premises with a Lifeline Telephone Service to either the Lifeline customer or any other person. In addition, a Lifeline Telephone Service customer may not subscribe to a foreign central office or foreign exchange service.

g. Lifeline Telephone Service includes a usage allowance of up to $2.00 per month, and such usage includes all local and other intraLATA messages billed by the Company.

h. A customer, requesting the establishment of exchange service as Lifeline Telephone Service, who is in the process of being certified by the Department of Human Services as eligible for Lifeline Telephone Service will be provided Plan 1 local exchange service as specified in Section 2 of this tariff. If such certification is obtained within 30 days of the customer's exchange service establishment date, the customer will be credited the difference between the Plan 1 service provided and the Lifeline Telephone Service monthly charges, including usage charges, prorated to reflect the portion of the initial 30 days billed.

i. The Company shall not disconnect or interrupt a Lifeline Telephone Service customer for failure to pay toll or long distance charges.

L. LIFELINE TELEPHONE SERVICE (cont'd)

2. Regulations (cont'd)

j. A Lifeline Telephone Service customer who may be required to pay a deposit will have the deposit waived if the customer voluntarily elects Lifeline Toll Restriction. This service is available to Lifeline Telephone Service customers only and is provided free of charge. Lifeline Toll Restriction allows the completion of local calls, calls to the operator for the completion of collect and third number billed calls, calls to 911 and other N11 service codes, calls to 800/888 service telephone numbers, and local Directory Assistance calls. However, this service prevents the origination of all intraLATA, interLATA, and interstate calls, 700/900 calls, calls to non-local Directory Assistance, and Verification and Interrupt Services. In addition, this service prevents the billing of collect and third number calls to the Lifeline Telephone Service line.

k. The Company may initiate Lifeline Toll Restriction if a Lifeline Telephone Service customer has a delinquent balance for toll and/or long distance charges of $20.00 or more.

l. The federal subscriber line charge is waived for Lifeline Telephone Service lines.

3. Rates

	Per Month
Lifeline Telephone Service	$ 4.25

M. LINK UP AMERICA

1. The Link Up America program provides for the charges for the initial connection to the telecommunications network and relocation of service to be more affordable for certain customers by waiving all Service Charges applicable to the installation of residential exchange service.

2. The Link Up America program is offered only in association with the installation of a single residential exchange service at the principal place of residence of customers who meet each of the following requirements.

   - The customer must not be a dependent for federal income tax purposes, unless the applicant is at least 60 years of age. This requirement is self-certified.

   - The customer must meet the requirements of the state established income test as specified for Lifeline Telephone Service.

3. The Link Up America program applies to all classes of residence exchange service, including Lifeline Telephone Service.

N. BLOCKING - "900" INFORMATION SERVICE

1. General

Where central office facilities permit, "900" Information Service Blocking provides customers the capability to block origination of direct dialed calls to a "900" Information Service number (900-NXX-XXXX).

2. Regulations

a. Blocking is available on individual lines for residence and non-residence customers.

b. When the blocking is activated, direct dialed calls to all "900"Service numbers are blocked.

c. Initial blocking is provided at no charge upon customer request. Subsequent requests for "900" Information Services Blocking will be provided at the rates referenced below.

d. Blocking service may not be available with certain multi-line business arrangements.

e. There is no charge to remove "900" Information Service blocking.

N. BLOCKING - "900" INFORMATION SERVICE (cont'd)

3. Rates

"900" Information Service Blocking

Residence	Service Charges
Initial Request	No Charge
Subsequent Request	*
For each additional line equipped	**
Non-residence	
Initial Request	No Charge
Subsequent Request	*
For each additional line equipped	**

* The Secondary Service Order and Central Office Network Access Charge both apply and are identified on Sheet 10 in Section 3 of this Tariff.

** The Central Office Network Access Charge applies and is identified on Sheet 10 in Section 3 of this Tariff.

O. CENTREX SERVICE

1. General

a. Centrex is a central office communications service which provides the customer with multiple individual voice-grade telephone communications channels, each of which can be used to place or receive one call at a time. Centrex Station Lines are provided for connection of Centrex-compatible station sets to the public switched telecommunications network. Centrex Service standard and optional features are described in this Tariff.

b. Centrex may be provided in association with lines terminating on common control equipment, commonly referred to as Key Systems.

c. Centrex is offered as a customer option and may be provided subject to the availability of facilities and equipment as determined by the Telephone Company.

d. Other special features not included in the feature packages and/or customer-specific offerings may be provided at the discretion of the Telephone Company.

e. The minimum period for Centrex services provided under this Tariff shall be one year.

f. Per call blocking and per line blocking will be provided to Centrex customers at no additional charge.

g. Service connection charges apply pursuant to this Tariff.

O. CENTREX SERVICE (cont'd)

2. Rates

	Per Line, Per Month
1 to 30 lines	*
31 to 100 lines	**
100+ lines	***

* The monthly rate is an amount equal to ½ of the monthly rate specified for the Business Essential Plan in this tariff.

** The monthly rate is an amount equal to 1/6 of the monthly rate specified for the Business Essential Plan in this tariff.

*** The monthly rate is an amount equal to 1/8 of the monthly rate specified for the Business Essential Plan in this tariff.

P. INTRALATA PRESUBSCRIPTION

1. General

IntraLATA presubscription is a procedure whereby a subscriber designates to the Company the carrier which the subscriber wishes to be the carrier of choice for intraLATA toll calls. Such calls are automatically directed to the designated carrier, without the need to use carrier access codes or additional dialing to direct the call to the designated carrier. IntraLATA presubscription does not prevent a subscriber who has presubscribed to an intraLATA toll carrier from using carrier access codes or additional dialing to direct calls to an alternative intraLATA toll carrier on a per-call basis.

2. Options

Option A: Subscriber may select the Company as the presubscribed carrier for intraLATA toll calls subject to presubscription.

Option B: Subscriber may select his/her interLATA toll carrier as the presubscribed carrier for intraLATA toll calls subject to presubscription.

Option C: Subscriber may select a carrier other than the Company or the subscriber's interLATA toll carrier as the presubscribed carrier for intraLATA toll calls subject to presubscription.

Option D: Subscriber may select no presubscribed carrier for intraLATA toll calls subject to presubscription which will require the subscriber to dial a carrier access code to route all intraLATA toll calls to the carrier of choice for each call.

P. INTRALATA PRESUBSCRIPTION (cont'd)

3. Regulations

Subscribers of record on the effective date of this tariff will retain their current dialing arrangements until they request that their dialing arrangements be changed.

Subscribers of record or new subscribers may select either Options A, B, C, or D for intraLATA presubscription.

Subscribers may change their selected option and/or their presubscribed intraLATA toll carrier at any time subject to charges specified in paragraph 5 following.

4. Customer Notices

The Company will notify subscribers of the availability of intraLATA presubscription. The notice will contain a description of intraLATA toll presubscription, how to make an intraLATA toll presubscription carrier selection, and a description of when and what charges apply related to the selection of an intraLATA toll carrier.

5. Rates

a. Application of Rates

There will be no charge for a subscriber's initial intraLATA toll presubscription selection.

P. INTRALATA PRESUBSCRIPTION (cont'd)

5. Rates (cont'd)

a. Application of Rates (cont'd)

New local service subscribers will be asked to select a carrier(s) for their intraLATA toll and interLATA calls subject to presubscription at the time they place an order with the Company for local exchange service. If the new subscriber is unable to make a selection at that time, the new subscriber will be read a random listing of all available intraLATA toll carriers to aid his/her selection. If the new subscriber is still unable to make a selection at that time, the Company will inform the new subscriber that he/she will be given 90 days in which to inform the Company of an intraLATA toll presubscription carrier at no charge. The new subscriber will also be informed that the Company will assess a charge for any selection made after the 90 day window and that until a selection is made, the subscriber will be required to dial a carrier access code to route all intraLATA toll calls.

New subscribers who do not make an intraLATA toll carrier presubscription choice at the time the new subscriber places an order establishing local exchange service with the Company will not be presubscribed to any intraLATA toll carrier, but rather will be required to dial a carrier access code to route all intraLATA toll calls to the carrier of choice for each call.

After a subscriber's initial selection for a presubscribed intraLATA toll carrier, an intraLATA presubscription change charge, as set forth in paragraph 5.b. following, will apply for any change thereafter.

P. INTRALATA PRESUBSCRIPTION (cont'd)

5. Rates (cont'd)

b. Nonrecurring Charges

IntraLATA Presubscription Change Charge
Per non-residence or residence line, trunk, or port

	Non-recurring Charge
Initial line, trunk, or port	$ 5.00
Additional line, trunk, or port	5.00

Q. ISDN

Basic Rate Interface (BRI) Integrated Services Digital Network (ISDN). Where technically available the Company will provide narrowband (2B+D) ISDN services. Circuit switched "B" Channel capability will be provided for voice or data transmission at speeds up to 56/64 kbps per "B" channel. Clear channel 64 kbps service may not be available at all locations. Where technically feasible, Basic Rate Interface Terminal Extension (BRITE)*** service will be used to provide ISDN services in areas where the central office is not ISDN equipped. Additional charges will apply for this service.

1. Monthly Rate

Non-residence - One Party Business Essential Rate **(Includes local usage cap of 80 hours per month per B channel)	+	$ 30.00*
Residential - One Party Local ServiceRate **(Includes local usage cap of 80 hours per month per B channel)	+	$ 30.00*

E. ISDN (cont'd)

* Assumes serving office is equipped with ISDN service. Rates are for a BRI ISDN line with dual B Channel capability - does not include end user D Channel capability.

** A local usage charge per minute, per B Channel will apply on local usage in excess of 80 hours.

*** If BRITE technology is utilized, an additional facility charge will be added to monthly charge.

Installation:

	Non-recurring Charge
Residence	$ 116.00
Non-residence	116.00

SECTION 5

OPTIONAL CENTRAL OFFICE SERVICES

Sheet

Optional Calling Services:

A. DESCRIPTION

Optional calling services include the following central office-based call management services. The services are available to individual line customers where Telephone Company facilities and customer configuration permit:

1. Call Waiting

Call Waiting permits the customer engaged in a call to receive a tone signal indicating a second call is waiting, and by operation of the switchhook to place the first call on hold and answer the waiting call. The customer may alternate between the two calls by operation of the switchhook.

2. Call Forwarding

Call Forwarding permits the customer to automatically transfer all incoming calls to a telephone number at another local or toll location. The customer activates Call Forwarding by dialing a special code followed by the telephone number of the location to which calls are to be transferred. The service may be deactivated by dialing another code. The customer must activate and deactivate this service from the station forwarding the calls. The customer may still make outgoing calls while Call Forwarding is active, even while a transferred call is in progress. Calls can not be answered at the base station while Call Forwarding is active.

3. Call Forward Deluxe

Call Forward Deluxe combines Call Forwarding with remote access capability. In addition to the current Call Forwarding feature access method, Call Forward Deluxe provides customers access from any touch-tone telephone. The customer will dial a Call Forward Deluxe access number and then be guided by voice prompts to enter required information, including Personal Identification Number (PIN). Calls forwarded by this feature may be subject to local or toll charges as appropriate. Call Forward Deluxe is only offered on a monthly subscription basis.

A. DESCRIPTION (Cont'd)

4. Caller ID Service

Caller ID is an optional central office software-based service offering which allows a Telephone Company subscriber the ability to view the calling party's telephone number on a subscriber-provided display unit. In cases where callers have either blocked their outgoing telephone number, or placed the call through an operator, the calling party's telephone number will not be displayed. In addition, Caller ID will only work when calls originate from and terminate within central offices connected by SS7 technology.

The telephone numbers that will be displayed on a Caller ID subscriber's display unit include listed, non-listed, and non-published telephone numbers.

Caller ID subscribers also have the ability to automatically reject incoming telephone calls which have been blocked. Through Anonymous Call Rejection (part of Caller ID service), all incoming telephone calls which have the calling party's telephone number blocked will hear a recorded announcement indicating the Caller ID subscriber will not accept calls made from blocked telephone numbers; this is a free call.

a. Service Availability

Caller ID is offered as an optional service to single party residential subscribers, single line non-residence and multiple incoming line trunk non-residence subscribers. Caller ID is offered on a monthly subscription basis, and is provided only where facilities permit.

A. DESCRIPTION (Cont'd)

4. Caller ID Service (Cont'd)

b. Per-Line Blocking

Customers requesting per-line blocking will prevent the display of their telephone numbers on all outgoing calls. The per-line Blocking feature may be deactivated at any time by customers on a call-by-call basis through the activation of a special code. Per-Line Blocking is provided free of any recurring charge, but is a special feature which must ordered by customers.

The Telephone Company will initially install Per-Line Blocking at no charge. Requests to remove Per-line Blocking on customer lines will be completed at no charge. Subsequent requests to re-install Per-Line Blocking will be completed at prevailing Telephone Company non-recurring service order rates identified on Sheet 10 in Section 3 of this tariff.

Per-Line Blocking will not prevent the display of originating telephone numbers to 9-1-1 emergency service providers.

c. Per-Call Blocking

Per-Call Blocking will prevent the display of customers' telephone numbers on outgoing calls. This feature may be utilized at any time through the activation of a special code prior to dialing an outgoing call. Per-Call Blocking is provided at no charge, and is automatically placed on all telephone lines by the Telephone Company.

A. DESCRIPTION (Cont'd)

4. Caller ID Service (Cont'd)

c. Per-Call Blocking (cont'd)

Per-Call Blocking will not prevent the display of telephone numbers to 9-1-1 emergency service providers.

d. Special Provisions

In cases where Telephone Company customers are victims of domestic violence, or are representatives of domestic violence agencies, or are representatives of emergency service agencies, calls placed through a live operator in order to protect the identity of the calling party will be completed without the application of an operator service charge.

Qualifying customers may need to notify the Telephone Company to request this credit if the operator service charge cannot be waived at the time the call is being placed.

5. Caller ID With Name

Caller ID With Name works along with Caller ID and provides for the display of an incoming telephone number and listed name associated with that telephone number, on a subscriber-provided display unit.

6. Three-Way Calling

Three-Way Calling permits the customer, by operation of the switchhook, to place an existing call on hold, dial the telephone number of a third party and establish a local or toll three-way conference call. The customer may talk privately with the third party before establishing the three-way connection and may disconnect the third party to re-establish the original connection. The customer's line establishing the conference call must remain open for the duration of the call or the connection for all callers will be terminated.

A. DESCRIPTION (Cont'd)

7. Speed Calling

Speed Calling permits the customer to program up to eight frequently dialed numbers by dialing a one-digit code. This feature can accommodate local, toll, and long distance numbers. Customer uses a code to access the speed calling feature. Customer may change list whenever necessary.

The following central office-based call management services forward the calling party's number to the terminating end, where facilities permit. The services work only on calls that originate from and terminate to appropriately equipped offices. These services provide a variety of subscription and usage-sensitive priced, user-programmable features that manage calls based on customer input directions to the network. These services are automatically available to any single line customer connected to the appropriately equipped offices. The customer has various billing and/or blocking options for the use of these services.

8. Repeat Call

This service allows a calling party to redial the last telephone dialed, provided it is to a number in appropriately equipped offices. If that line is found busy, a 30-minute queuing process begins, and the Network automatically attempts to complete the call.

Residential customers can either pay-per-use so that a separate charge applies to each activation of this service; or subscribe to the service and incur a monthly charge for unlimited use. When the customer pays-per-use, the usage charge applies each time the service is activated whether or not the called party answers. Non-residence customers may subscribe to the service and incur a monthly charge for unlimited use.

A. DESCRIPTION (Cont'd)

9. Return Call

This service allows a calling party to automatically return the most recent incoming call. If that line is found busy, a 30-minute queuing process begins, and the Network automatically attempts to complete the call.

Residential Customers can either pay-per-use so that a separate charge applies to each activation of this service; or subscribe to the service and incur a monthly charge for unlimited use. When the customer pays-per-use, the usage charge applies each time the service is activated whether or not the called party answers. Non-residence Customers may subscribe to the service and incur a monthly charge for unlimited use.

10. Priority Call

This service provides one distinctive audible signal to the called customer when receiving a call from one of up to ten prespecified telephone numbers. Through an interactive dialing sequence, the customer creates a screening list of up to ten telephone numbers in the switching machines. This list can only be created from and for telephone numbers located in appropriately equipped offices. When a call arrives from one of the prespecified telephone numbers, the Priority Call rings distinctively. If the called customer subscribes to Call Waiting, and the call arrives while the line is busy, the Call Waiting tone has a distinctive pattern. For calls from a dial tone line with multi line hunting, the distinctive signal is only produced when the main telephone number has been entered in the screening list.

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3950 Chambers Hill Road, Harrisburg, PA 17111

A. DESCRIPTION (Cont'd)

11. Select Forward

This service allows the customer to select a maximum of ten telephone numbers for forwarding. The customer activates this service by dialing a code to create a screening list via an interactive dialing sequence. This list can only be created from and for telephone numbers located in appropriately equipped offices. Only calls from those telephone numbers in the screening list may be forwarded to the designated telephone number.

For calls from a line within multi line hunting, the call is selectively forwarded only where the main telephone number has been entered in the screening list.

12. Call Block

This service gives the customer the ability to prevent future calls from specific telephone numbers and can be activated after receipt of an unwanted call or after entering a telephone number from which the calling party does not wish to receive future calls. To activate the service, the Call Block customer regains dial tone and dials a code, which creates a screening list for a maximum of ten numbers. This list can only be created from and for telephone numbers located in appropriately equipped offices. Further calls to the Call Block customer from telephone numbers in the screening list are connected to an announcement stating that the called party is not accepting calls and the Call Block customer's telephone does not ring.

For calls from a line within multi line hunting, the call is blocked only where the main telephone number has been entered in the screening list.

A. DESCRIPTION (Cont'd)

13. Call Trace

This service allows a called party to initiate an automatic trace of the last call received. Call Trace is available on a usage basis only. After receiving the call which is to be traced, the customer dials a code and the traced telephone number is automatically sent to the Telephone Company. The customer using Call Trace is required to contact the Telephone Company for further action. The customer originating the trace will not receive the traced telephone number. The results of a trace will be furnished only to legally constituted authorities upon proper request by them.

The usage charge applies each time the service is activated.

14. Personal Ringing Service

Personal Ringing Service enables an individual line subscriber to have up to two telephone numbers (referred to as "Dependent" numbers) assigned to one dial tone line in addition to the main number (referred to as the "Master" number). Each number when dialed will result in a distinctive ring which facilitates the ability of the customer to determine which number is being called. Where facilities permit, a distinctive Call Waiting tone for each telephone number will be provided for customers who subscribe to Personal Ringing Service and Call Waiting. Personal Ringing Service is associated with incoming calls only and does not provide a separate dial tone line to place outgoing calls. Personal Ringing Service is only offered on a monthly subscription basis.

B. GENERAL TERMS

The following definitions apply to terms often used to describe operation of various optional calling services.

1. Activation

Activation requires dialing a code from the customer's line and originating (activating) the corresponding service. For usage-billed service(s) activation causes an "activation" charge to be applied at that time. No activation charge applies when the customer subscribes to a service on a monthly basis. When the customer uses Return Call, Repeat Call, Call Trace on a pay-per-use basis, activation charges apply each time the service is activated.

2. Master and Dependent Telephone Numbers

The Master telephone number is the main telephone number provided with the dial tone line and associated with both incoming and outgoing calls. With Personal Ringing Service, a customer can purchase up to two Dependent numbers that are assigned to the Master number. The Master telephone number and the Dependent numbers are on one telephone line.

3. Distinctive Ringing and Distinctive Call Waiting Tone

With Personal Ringing Service, distinctive ringing and Call Waiting tone patterns are assigned to the dependent number(s) to distinguish incoming calls from those to the master number.

B. GENERAL TERMS (Cont'd)

4. Interactive Dialing Sequence

Relates to the dialing activities performed by a customer while programming a service for use. The dialing activities are termed interactive because the customer's actual dialing functions are in response to messages provided by the Central Office.

5. Multi line Hunting Group

A service arrangement that combines a group of telephone lines with individual originating and common terminating characteristics. An incoming call to the group causes the line to search for an idle line to which the call can completed.

C. REGULATIONS

1. Availability of Service

a. Optional calling services require special central office equipment and are furnished only from central offices where facilities are available, as determined by the Company.

b. The services can be activated by either dial-pulse (rotary) or Touch-Tone line dial tone service.

C. REGULATIONS (Cont'd)

2. Provision of Service

a. General

(1) All optional calling services can be provided to individual line customers only.

(2) The following services are available at the rates stated herein.

(3) The optional calling services which provide distinctive ringing may not be compatible with all types of customer-provided telephone equipment.

b. Return Call

(1) Return Call and Repeat Call do not work with calls made to most 700, 800, and 900 numbers.

c. Call Forwarding Services

(1) Call Forwarding and Select Forward can be provided in combination on the same line, but may deactivate or supersede each other.

C. REGULATIONS (Cont'd)

2. Provision of Service (Cont'd)

d. Personal Ringing Service

(1) Personal Ringing Service is provided only where, in the judgment of the Company, personal ringing service is compatible with the type of service with which it is to be associated.

(2) The ringing and tone patterns associated with the Master and Dependent numbers shall be assigned solely at the discretion of the Company.

(3) When a call is in progress, any incoming calls will receive a busy signal, unless the Personal Ringing Service customer also subscribes to Call Waiting.

(4) Personal Ringing Service subscribers will be entitled to one White Pages directory listing option per Dependent number as part of the basic offering. The subscriber may choose one of the following listing options per Dependent number at no additional charge:

- Listed Number
- Unlisted Number
- Non-Published Telephone Number

C. REGULATIONS (Cont'd)

2. Provision of Service (Cont'd)

d. Personal Ringing Service (Cont'd)

(NOTE: Directory Assistance Only and Non-Published Telephone Number regulations and charges for the Master number are covered in other Sections of this Tariff.)

(5) "Collect" and "bill to a third number" calls may be charged to Dependent numbers. Calls charged to Dependent numbers will be billed to the Master telephone number. Additional charges for "collect" and "bill to a third number", as covered in other Sections of this Tariff apply.

(6) Where a customer subscribes to both Personal Ringing Service and optional calling services, the applicable services are automatically associated with Master and Dependent numbers. Customers do not have the option of associating other optional calling services with less than all numbers.

(7) Personal Ringing Service customers who also subscribe to Call Forwarding must choose one of the following Call Forwarding arrangements at the time of subscription:

a. Calls to Dependent and Master telephone numbers are forwarded to the same telephone number when Call Forwarding service is activated.

C. <u>REGULATIONS</u> (Cont'd)

2. <u>Provision of Service</u> (Cont'd)

d. <u>Personal Ringing Service</u> (Cont'd)

b. Calls to the Master telephone number only are forwarded when Call Forwarding service is activated. Calls to Dependent number(s) will continue to ring and may be answered at the subscriber's premises.

Changes in the call Forwarding arrangement will be subject to a Product/Service Charge.

(8) Personal Ringing Service will not be provided in association with lines equipped with hunting arrangements, except on the last line in a group of lines arranged for series completion hunting, provided such a line has no further hunting or other special translations data entered against it and is served from a central office capable of providing this service.

(9) Customers who subscribe to Personal Ringing Service and also subscribe to Priority Call, may subscribe to only one Dependent number.

(10) Personal Ringing Service charges will be billed to the Master number.

(11) All charges associated with Personal Ringing Service are the responsibility of the customer of record, including but not limited to "bill to a third number" and "collect" charges.

C. REGULATIONS (Cont'd)

2. Provision of Service (Cont'd)

e. Miscellaneous

Additional restrictions or regulations may apply when subscribers to Personal Ringing Service forward calls to other services.

3. Limitation of Service

Call quality may be impaired when incoming calls are transferred to a location outside the customer's local calling area or if a three-way call involves more than one toll point.

D. RATES

1. General

a. The customer of record will be responsible for all rates and charges associated with optional calling services as described in this section. The customer of record will be charged for all services activated on his/her service and/or charged the applicable monthly subscription rate for each line on which optional calling services are provided.

b. A customer serviced by a switching machine in an appropriately equipped office may request to have his/her line(s) made inoperable for usage services capability. The customer has the option to request deactivation of usage service capability on a per service basis or to request deactivation of usage service capability for all usage services. All capability for this service or services is removed from the line(s) at no charge. Should the customer subsequently request to reactivate usage services capability, a Service Reactivation Product/Service Charge applies per line regardless of the number of services reactivated. Services to which these provisions are applicable are: Return Call, Priority Call, Select Forward, Call Block, Call Trace.

D. RATES (Cont'd)

2. Monthly Rates (Subscription)

Individual Monthly Rates - Residence and Non-residence

	Residence Charge	Non-residence Charge
Call Block, per line	$ 4.15	$ 4.70
Call Forwarding, per line	3.65	4.15
Call Forward Deluxe, per line	5.00	7.00
Call Waiting, per line*	4.60	4.75
Personal Ring Service	4.50	6.50
Priority Call, per line	3.00	3.50
Repeat Call, per line	2.10	2.60
Return Call, per line	4.15	4.70
Select Forward, per line	4.00	4.50
Speed Call, per line		
- 8 code capacity	1.65	2.25
- 30 code capacity	3.50	4.00
Caller ID, per line	6.95	8.50
Caller ID With Name, per line	7.50	9.50
Three-Way Calling, per line	4.50	4.50

* Per line rate includes Cancel Call Waiting at no additional charge

D. RATES (Cont'd)

3. Usage Rates

	Usage Charge
Three-way Calling	
Each Activation	$ 0.75
Call Trace	
Each Activation	1.00
Return Call	
Each Activation	0.75
Repeat Call	
Each Activation	0.75

SECTION 6

PAY TELEPHONE LINE SERVICE

Sheet

Issued By: Ronald L. Reeder - Senior Manager, Regulatory and Public Affairs
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A. GENERAL

1. Definition

Pay Telephone Line exchange service is single-line exchange service for use by pay telephone providers, location owners and interexchange carriers and is furnished solely for connection with coin, coinless, or combination coin/coinless pay telephone equipment to the Telephone Company's network.

2. Pay Telephone Line Service

a. Is available in all exchanges of the company.

b. Only one coin-operated or coinless public access telephone unit may be connected to each Pay Telephone Line.

c. Will be provided on a dial tone-first basis to enable end users to dial certain calls without requiring coin deposits, i.e., all emergency calls, telecommunications relay service calls, and non-sent paid calls.

d. Service will be provided on a two-way basis, except lines for which a specific exemption has been granted by the Tennessee Regulatory Authority.

e. The pay telephone provider is responsible for meeting all federal, state and local statutes with respect to provision of pay telephones in accordance with all hearing impaired and handicapped person requirements.

A. GENERAL (cont'd)

f. Pay Telephones connected to a Pay Telephone Line must be registered in compliance with Part 68 of the FCC's Rules and Regulations.

g. Each pay telephone connected to a Pay Telephone Line must be capable of providing user call completion to 911 universal Emergency Service, if available. If 911 service is not available, the pay telephone must permit access to operator.

h. Failure of subscriber to comply with provisions of this Tariff may result in the suspension or disconnection of the subscriber's service.

B. REGULATIONS AND RATES

1. Pay Telephone Line Service is provided at the corresponding exchange's non-residence rates as contained in Section 2 of this Tariff.

2. Line Connection charges listed in Section 3 of this Tariff apply to Pay Telephone Line Service.

3. All subscribers to Pay Telephone Service shall have the right to select their presubscribed intraLATA toll provider at such time that intraLATA presubscription is available in the Company's service territory.

C. AVAILABLE FEATURES FOR PAY TELEPHONE SERVICE

1. Optional call screening/blocking/coin supervision functions, as listed below are provided at the monthly rates stated. The non-recurring charges shown below do not apply to initial installations, but do apply to subsequent requests made by the customer.

   a. Incoming/Outgoing Screening-prevents completion of collect or third number calls to the Pay Telephone Line. Originated operator-handled calls form the Pay Telephone Line are restricted to collect, third number or calling card only.

   b. Incoming Blocking - blocks all incoming calls.

   c. Outgoing Blocking - restricts outgoing calls to non-sent paid call only (coinless).

   d. Coin-Supervision Additive - provides for the collection return, recognition, announcements and pre-prompting for overtime; monitors signals form the pay telephone equipment to identify when and what denomination of coins are deposited; identifies the status of attempted calls and sends a signal to the pay telephone equipment to collect the appropriate coins when calls are completed, or returns coins when calls are not completed.

C. AVAILABLE FEATURES FOR PAY TELEPHONE SERVICE (cont'd)

2. Rates:

	Monthly Charge	Non-recurring Charge
1. Incoming/Outgoing Screening, each	$ 5.00	$ 10.00
2. Incoming Blocking, each	3.00	10.00
3. Outgoing Blocking, each	3.00	10.00
4. Coin supervision Additive	2.21	10.00

SECTION 7

MESSAGE TOLL SERVICE

Issued By: Ronald L. Reeder - Senior Manager, Regulatory and Public Affairs
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A. TWO POINT SERVICE

1. Definition

Two point message toll service is that of furnishing toll connections between two main stations or PBX or key trunk lines or a combination thereof.

2. Classes of Service

Two classes of two point message toll telephone service are offered, namely, customer dialed service and operator handled service. Operator handled service is offered for station-to-station calls and person-to-person calls as described in paragraph b. following.

a. Customer dialed service is that service where the person originating the call dials the telephone number desired without the assistance of the telephone company operator (when facilities are available) or gives the telephone number assigned to the Miscellaneous Common Carrier (MCC) for interconnected service.

b. Operator handled service is that service requested of a telephone company operator by the person originating a call which is in addition to the customer dialed service specified in paragraph a. preceding.

(1) Station-to-station calls are those calls where the person originating the call specifies to a telephone company operator a particular telephone number to be reached.

A. TWO POINT SERVICE (cont'd)

2. Classes of Service (cont'd)

b. (cont'd)

(2) Person-to-person calls are those calls where the person originating the call specifies to a telephone company operator a particular person to be reached, a particular mobile station to be reached through an MCC operator or a particular station, department or office to be reached through a private branch exchange attendant.

When, after the telephone MCC operator or private branch exchange system called has been reached and while the connection remains established, the person originating the call requests or agrees to talk to any person other than the person specified, or to any other person or mobile station to be reached through an MCC, or to any other station, department or office to be reached through a private branch exchange attendant, the call is charged for as person-to-person.

3. Collect Call (reversed charge), Bill to a Third Telephone Number or Calling Card

Subject to the provisions in paragraph 4. following, station-to-station and person-to-person calls may upon request be:

a. Collect, i.e., charge against the called telephone number provided the charges are accepted at the called telephone number and completed to other than public or semipublic telephones;

b. Billed to a third telephone number, i.e., charged to an authorized station, as determined by the Company, other than the station originating the call or the station where the call is terminated;

c. Calling card, i.e., calls placed using a billing arrangement by which a call may be charged to an authorized Company calling card number.

A. TWO POINT SERVICE (cont'd)

4. Initial Minute, Additional Minutes, and Service Charges

a. Two point message toll service rates are quoted in terms of initial minute, additional minutes and service charges in the Schedule of Rates following.

(1) Initial minute

Initial minute rates are for connections of one minute or any fraction thereof.

(2) Additional minutes

Additional minute rates are for each additional minute or any fraction thereof that the connection continues beyond the initial minute.

(3) Customer dialed station-to-station

Only initial minute and additional minute rates apply.

(4) Customer dialed calling card station-to-station, operator handled station-to-station and person-to-person.

Initial minute and additional minute rates apply in addition to a service charge.

b. Service Charge

A service charge applies to each customer dialed calling card station-to-station call and to each operator handled station-to-station and person-to-person call. This charge is added to the initial minute and additional minute charges. Discounts do not apply to the service charge.

A. TWO POINT SERVICE (cont'd)

5. Timing of Messages

a. With respect to customer dialed and operator handled station-to-station calls, a message is considered as starting at the time telephone communication is established between the calling station and the called telephone number, MCC operator, PBX system or PBX station reached directly rather than through a PBX attendant.

b. With respect to operator handled person-to-person calls, a message is considered as starting at the time telephone communication is established between the person calling and: a) the particular person called; B) another party acceptable to the person calling; C) the PBX station reached through a PBX attendant; or D) the particular MCC mobile station called or another MCC mobile station acceptable to the calling party.

c. Chargeable time ends when the calling station hangs up thereby releasing the network connection. If the called station hangs up but the calling station does not, chargeable time ends when the network connection is released either by automatic timing equipment in the telephone network or by the Company operator.

d. Chargeable time does not include time lost because of faults or defects in the service.

A. TWO POINT SERVICE (cont'd)

6. Time of Day

a. The time legally or commonly in use at the rate center of the calling station determines the rate period for customer dialed calls.

7. Schedule of Rates

a. Customer Dialed Service

	Usage Charge
- Station-to-Station	
- Per minute	$0.15
- Calling Card	
- Per minute	$0.30

b. Operator Dialed Service

- Station-to-Station / Person-to-Person per minute rates

Rate Airline Miles	DAY Initial Period	DAY Each Add'l Period	EVE Initial Period	EVE Each Add'l Period	N/W Initial Period	N/W Each Add'l Period
1-10	$0.24	$0.18	$0.16	$0.16	$0.13	$0.12
11-22	0.30	0.25	0.21	0.17	0.14	0.14
23-55	0.36	0.32	0.25	0.23	0.18	0.16
56-124	0.40	0.37	0.29	0.26	0.21	0.18
125-292	0.43	0.41	0.32	0.30	0.23	0.23

A. TWO POINT SERVICE (cont'd)

7. Schedule of Rates (cont'd)

c. Non-residence Term Plan

	Usage Charge
- One Year Term Plan	
- Per minute	$0.11
- Three Year Term Plan	
- Per minute	$0.1075
- Five Year Term Plan	$0.105

d. Service Charges and Surcharges

	Service Charge
(1) Calling Card Station-to-Station	$0.30
(2) Operator Dialed Surcharge	
- Operator Dialed Called Number	$1.00
- Customer Dialed Called Number	$0.85
(3) Operator Handled Station-to-Station	
- Collect	$2.15
- Billed to Third Party	$2.25
(4) Operator Handled Person-to-Person	$4.00

A. TWO POINT SERVICE (cont'd)

7. Schedule of Rates (cont'd)

e. Total charge for calls collected at coin telephones are to be computed as above and rounded up or down to the nearest multiple of $0.05.

f. Messages placed by hearing and/or speech impaired persons

(1) For purposes of this tariff, the definition of impaired refers to those persons with communication impairments, including those hearing impaired, deaf, deaf/blind, or speech impaired persons who have an impairment that prevents them from communicating over the telephone without the aid of a telecommunications device for the deaf.

(2) Residential impaired customers or impaired members of a customer's household, upon written application and upon certification of their impaired status, which is evidenced by either a certificate from a physician, health care official, state agency, or a diploma from an accredited educational institution for the impaired, are eligible to receive a discount off their message toll service rates, and if they utilize telebraille devices, they are eligible to receive free access to local and intrastate long distance directory assistance. Additionally, TDD lines maintained by non-profit organizations and governmental agencies, upon written application and verification that such lines are maintained for the benefit of the impaired, are eligible to receive a discount off their message toll service rates.

A. TWO POINT SERVICE (cont'd)

7. Schedule of Rates (cont'd)

f. Messages placed by hearing and/or speech impaired persons (cont'd)

(3) Upon receipt of the appropriate applications, and certification of verification, the following discounts off basic message toll service shall be made available for the benefit of the impaired: 1) a 40% discount off the intrastate, interexchange, customer dialed, station-to-station calls occurring between 8:00 a.m. and 4:49 p.m. Monday through Friday; and 2) a 60% discount off the intrastate, inter-exchange, customer dialed, station-to-station calls occurring between 5:00 p.m. and 10:50 p.m. Sunday through Friday and on New Year's Day, Independence Day, Labor Day, Thanksgiving and Christmas. Furthermore, the 60% discount plus an additional discount equivalent to no less than ten percent of the Company's current price list day rates for basic message toll service shall be made available for intrastate, interexchange, customer dialed station-to-station calls occurring between 11:00 p.m. and 7:59 a.m. any day, 8:00 a.m. to 4:59 p.m. Sunday, and all day Saturday.

(4) All message toll service calls placed through the Telephone Relay Service (TRS) are eligible to receive a discount off the message toll service rates. The rate discounts are the same as those set forth in paragraph (3) preceding. The discount shall not apply to sponsor charges associated with calls placed to pay-per-call services such as 900, 976, or 900-like services.

A. TWO POINT SERVICE (cont'd)

7. Schedule of Rates (cont'd)

g. Non-residence Term Plan Volume Discounts

Non-residence Term Plan subscribers receive the discounts set forth in the schedule below based on a Customer's Qualifying Monthly Usage.

Qualifying Monthly Usage	Applicable Discount
$0 - $249.99	0%
$250 - $999.99	10%
$1,000 +	15%

Qualifying Monthly Usage means the Customer's total monthly intraLATA toll charges excluding all charges for installation, reconnection, monthly recurring service fees, and all applicable taxes. The discounts apply to charges for intraLATA toll calls only for which the Customer has met the Qualifying Monthly Usage threshold during that month. The discounts do not apply to charges for installation, reconnection, monthly recurring service fees and any applicable taxes.

<u>Exhibit 8</u>

Sample Customer Bill

084-0016292 October 11, 1999 570-347-6444 Page: 1

COMMONWEALTH
TELECOM SERVICES, INC.

Your One Telecom Partner

Account Summary

Previous Balance	Payments Received	Account Adjustments	Balance Past Due	Current Charges	Total Amount Due	Due Date
	.00	.00				

News and Notes

"On the Move with Call Forward Deluxe"

How many times have you left your office and forgot to forward your calls? Sound familiar? Now, with Call Forward Deluxe* from CTSI there is no need to travel back to the office to activate your Call Forwarding.

With Call Forward Deluxe you can use your cell phone, or any other touch-tone phone, to turn Call Forwarding on, to turn it off, or change the number you want your calls forwarded to. CTSI even provides you with a special Call Forward Deluxe 800#, so you can make changes to Call Forwarding from any location nationwide.

Call Forward Deluxe is perfect for those businesses on the move. Call 1-888-278-8783 today to sign up for Call Forward Deluxe from CTSI and never again will you need to travel back to the office to forward your calls.
*$5.00 per business line per month. Not included in any package price.

Please Detach and Return Lower Portion with Your Payment

084-0016292

COMMONWEALTH
TELECOM SERVICES, INC.

Your One Telecom Partner

October 11, 1999
Account Number 11-347-6444-8-823-5
Make Checks Payable To 'CTSI'

Amount Due	Due Date

CTSI
P O BOX 1996
DALLAS PA
18612-0982

PO BOX
SCRANTON PA

113476444882350000065442113476444882350000065442

084-0016292

October 11, 1999 570-347-6444 Page: 2

Customer Information Area

If you have any questions about this bill, please call before the due date. If you would like information, or to order additional services, please call **1-888-278-8783**. You can call between 8am and 5pm Monday through Friday. You may also write to us at P.O. Box 1996, Dallas, PA, 18612-0982.

For Repair Service call 1-888-889-2309
Past Due Accounts call 1-888-805-3960

Account Detail of 570-347-6444

Questions on payments, please call 1-888-278-8783

Current Bill - Basic Service

PA Telecommunications Relay Services	.36	
Public Safety Emergency Telephone Act (911) Fee	3.75	
Federal Tax	.12	
Basic Service Total		**$ 4.23**

Current Bill - Toll Service

CTSI Tolls	42.01	
1 800 5YR OCP MONTHLY FEE		
CTSI 800 Tolls	7.65	
Federal Tax	1.49	
State Tax	2.98	
State Gross Receipts Tax Surcharge	.66	
Payphone Surcharge	1.75	
Toll Service Total		**$ 56.54**
Late Payment Charge at 1.25%, Tax Included		**$ .01**

Balance past due, please pay *Immediately* **$ 4.66**

If you have already paid this amount, please disregard, however, if not paid, these charges are now due.

Total Current Charges Due by November 03, 1999 **$ 60.78**

Total Amount Due **$ 65.44**

Detail CTSI Tolls

Toll No	Date	Time	Place	Phone Number	Mins	Codes CP	Codes PR	Codes CL	Amount

Detail CTSI Tolls

Toll No	Date	Time	Place		Phone Number	Mins	CP	PR	CL	Amount
24	092099	0406PM	MOUNTANTOP	PA	570-997-6550	0.5		D	4	.05
25	092199	0328PM	FREELAND	PA	570-636-2667	1.0		D	4	.11
26	092799	0737AM	HAZLETON	PA	570-454-2451	0.8		N	4	.08
27	092799	0302PM	MOUNTANTOP	PA	570-997-6550	0.7		D	4	.07
28	092799	0957PM	MOUNTANTOP	PA	570-997-6550	0.6		E	4	.06
29	092899	0838AM	MOUNTANTOP	PA	570-997-6550	0.5		D	4	.05
30	092899	0851AM	HAZLETON	PA	570-454-2451	1.3		D	4	.14
31	092899	1039PM	MOUNTANTOP	PA	570-997-6550	0.6		E	4	.06
32	092899	1040PM	KINGSTON	PA	570-283-1602	8.1		E	4	.85
33	093099	0431PM	MOUNTANTOP	PA	570-997-6550	0.6		D	4	.06
34	100499	0915AM	WILKSBARRE	PA	570-829-3973	0.5		D	4	.05
35	100599	0919AM	BERWICK	PA	570-752-6969	1.8		D	4	.19
36	100699	1051AM	WILKSBARRE	PA	570-826-0123	6.3		D	4	.66
	Total Charged to	**570-347-6444**								**4.62**

Tolls Charged to 570-347-6444

Toll No	Date	Time	Place		Phone Number	Mins	CP	PR	CL	Amount
37	090799	1129PM	STPETERSBG	FL	727-343-9662	0.5		N	4	.06
38	090799	1130PM	STPETERSBG	FL	727-384-6350	71.8		N	4	7.90
39	091299	1000PM	ENDICOTT	NY	607-785-3455	4.1		E	4	.45
40	091299	1005PM	ENDICOTT	NY	607-785-3455	1.9		E	4	.21
41	091299	1015PM	STPETERSBG	FL	727-343-8222	0.3		E	4	.03
42	091299	1016PM	STPETERSBG	FL	727-343-9662	62.5		EM	4	6.88
43	091299	1151PM	ENDICOTT	NY	607-785-3455	0.9		N	4	.10
44	091399	1033AM	MILWAUKEE	WI	414-783-6027	1.6		D	4	.18
45	091399	1038AM	MILWAUKEE	WI	414-783-6027	2.8		D	4	.31
46	091399	1059AM	STPETERSBG	FL	727-343-9662	6.5		D	4	.72
47	091399	1111AM	BLAIRSTOWN	NJ	908-362-5576	3.6		D	4	.40
48	091399	1119AM	TUCSON	AZ	520-624-1903	1.2		D	4	.13
49	091399	1121AM	TUCSON	AZ	520-624-1903	0.9		D	4	.10
50	091499	0805AM	ENDICOTT	NY	607-785-3455	0.6		D	4	.07
51	091499	0810AM	STPETERSBG	FL	727-343-9662	0.4		D	4	.04
52	091499	0811AM	STPETERSBG	FL	727-384-6350	4.4		D	4	.48
53	091499	0945PM	ENDICOTT	NY	607-785-3455	13.2		E	4	1.45
54	091499	1043PM	STPETERSBG	FL	727-384-6350	0.3		E	4	.03
55	091499	1048PM	STPETERSBG	FL	727-384-6350	0.6		E	4	.07
56	091699	1029PM	STPETERSBG	FL	727-343-9662	21.9		E	4	2.41
57	091799	0906AM	HARLEYSVL	PA	215-256-9600	0.9		D	4	.10
58	092099	0951AM	MILWAUKEE	WI	414-783-6027	11.4		D	4	1.25
59	092099	0259PM	LANSDALE	PA	215-361-2600	6.7		D	4	.74
60	092099	0352PM	MILWAUKEE	WI	414-783-6027	4.7		D	4	.52
61	092199	1135AM	BELLEFONTE	PA	814-355-6221	2.6		D	4	.29
62	092199	0336PM	LITTLEROCK	AR	501-490-1607	1.5		D	4	.17
63	092199	1143PM	STPETERSBG	FL	727-384-6350	0.3		N	4	.03
64	092299	1029AM	ENDICOTT	NY	607-785-3455	17.1		D	4	1.88
65	092299	1122AM	BELLEFONTE	PA	814-355-6221	2.7		D	4	.30
66	092499	0659PM	ENDICOTT	NY	607-785-3455	0.5		E	4	.06
67	092799	0312PM	MILWAUKEE	WI	414-783-6027	1.3		D	4	.14
68	092799	0323PM	MILWAUKEE	WI	414-783-6027	1.2		D	4	.13
69	092899	0818AM	BELLEFONTE	PA	814-355-6307	1.0		D	4	.11
70	092899	0841AM	BELLEFONTE	PA	814-355-6221	4.1		D	4	.45
71	092899	1056PM	STPETERSBG	FL	727-384-6350	37.2		EM	4	4.09
72	092999	0419PM	MILWAUKEE	WI	414-783-6027	5.2		D	4	.57
73	092999	0429PM	ENDICOTT	NY	607-785-3455	28.0		D	4	3.08

Detail CTSI Tolls

Toll No	Date	Time	Place		Phone Number	Mins	CP	PR	CL	Amount
74	092999	0503PM	STPETERSBG	FL	727-384-6350	0.5		E	4	.06
	Total Charged to 570-347-6444									**35.99**
	Tolls Charged to 570-347-6911									
75	090799	1029AM	MILTON	PA	570-742-6617	0.8		D	4	.08
76	090999	1229AM	MILWAUKEE	WI	414-783-5302	0.5		N	4	.06
77	091699	1130PM	WILLIAMSVL	NY	716-633-1592	1.1		N	4	.12
78	091799	0913AM	HAZLETON	PA	570-459-0124	0.9		D	4	.09
79	092099	1006AM	MILWAUKEE	WI	414-783-5302	0.7		D	4	.08
80	092199	0959AM	MILWAUKEE	WI	414-783-5302	0.7		D	4	.08
81	092199	1038AM	MALVERN	AR	501-337-4537	0.7		D	4	.08
82	092199	0303PM	WILKSBARRE	PA	570-826-1935	0.7		D	4	.07
83	092199	0321PM	MALVERN	AR	501-337-7750	0.8		D	4	.09
84	092499	1124AM	KINGSTON	PA	570-287-0298	0.6		D	4	.06
85	092799	0400PM	MILWAUKEE	WI	414-783-5302	1.1		D	4	.12
86	092999	1212AM	MILWAUKEE	WI	414-783-5302	2.7		N	4	.30
87	092999	0145AM	MILWAUKEE	WI	414-783-1414	0.8		N	4	.09
88	092999	0516PM	WILLIAMSVL	NY	716-633-1592	0.7		E	4	.08
	Total Charged to 570-347-6911									**1.40**

CTSI Tolls Total **$ 42.01**

Detail CTSI 800 Tolls

Toll No	Date	Time	Place	Phone Number	Mins	CP	PR	CL	Amount

Detail CTSI 800 Tolls

Toll No	Date	Time	Place	Phone Number	Mins	Codes CP	PR	CL	Amount

CTSI 800 Tolls Total **$ 7.65**

Class Codes

1 = Person to Person
2 = Party Call Back
3 = Operator Assisted
4 = Direct Dialed
5 = Operator Completed - dial rate applied
6 = 0+ Calling Card

Discount Codes

D	= Day	E	= Evening
N	= Night	EM	= Evening Multiple
Q	= Payphone Call - $0.35 per call		

Call Summary for CTSI Tolls

Caller Summary Report

	Calls	Minutes	Amount
Main Number			
570-347-6444			
570-347-6911			
800-222-6511			
***Customer Summary for AUTOLIFT INC			

Caller Summary Report

	Calls	Minutes	Amount
Intra-Lata			
Intrastate			
Interstate			
Canada			
International			
Card Calls			
Directory Assistance			
800 Calls			
***Customer Summary for AUTOLIFT INC			

VERIFICATION

State of Tennessee)
) ss:
County of ________)

On behalf of CTSI, Inc., Applicant for a Certificate of Public Convenience and Necessity, I, Gary M. Zingaretti, Vice President, Industry Relations, certify and agree that intrastate telecommunications services will be provided in compliance with the Rules and Regulations of the Tennessee Regulatory Authority ("Authority").

I understand that certification as a public utility to provide intrastate telecommunications services is nontransferable and may be revoked by the Authority for violation of Authority Rules and Regulations.

I understand that a certified utility is required to submit annual reports to the Authority recounting activities specified by Authority rules. I further understand that additional reports may be required by the Authority at any time.

I understand that I cannot abandon or discontinue service, or any part thereof, established within the State of Tennessee without prior Authority approval and without having previously made provision, approved by the Authority, for payment of all relevant outstanding liabilities (deposits) to customers within the State of Tennessee.

I further attest that the information provided in this Application and the supporting documents is true and correct to the best of my knowledge and belief.

Gary M Zingaretti

Gary M. Zingaretti
Vice President, Industry Relations
CTSI, Inc.

Subscribed and sworn to before me, this 17th day of November, 1999.

Elaine Daigeaun

Notary Public

My Commission expires on ________

NOTARIAL SEAL
ELAINE DAIGEAUN, NOTARY PUBLIC
WILKES-BARRE, LUZERNE COUNTY
MY COMMISSION EXPIRES DECEMBER 2, 2000