SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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C TEC CORP

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1994

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR

15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 0-11053

C-TEC CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania	23-2093008
(State of other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

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46 Public Square

P.O. Box 3000

Wilkes-Barre, Pennsylvania 18703-3000

(Address of principal executive offices)

(Zip Code)

(717) 825-1100

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year,

if changed since last report)

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 requirement for the past 90 days.

YES X NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock ($1.00 par value), as of March 31, 1994.

Common Stock	7,962,266
Class B Common Stock	8,547,327

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C-TEC CORPORATION

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I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

C-TEC CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

(Unaudited)

(Dollars in Thousands Except Per Share Amounts)

<TABLE>

<CAPTION>

	Quarter Ended March 31	
	1994	1993
<S>	<C>	<C>
SALES	$ 71,987	$ 67,943
COSTS & EXPENSES	59,294	59,259
	________	________
OPERATING INCOME	12,693	8,684
INTEREST INCOME	372	408
INTEREST EXPENSE	(8,290)	(8,557)
GAIN ON SALE OF PENNSYLVANIA CABLE PROPERTIES	893	-
GAIN ON SALE OF MARKETABLE EQUITY SECURITIES	-	1,988
OTHER INCOME, NET	268	10
	________	________
INCOME BEFORE INCOME TAXES	5,936	2,533

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PROVISION FOR INCOME TAXES	2,690	2,328
	________	________
INCOME BEFORE MINORITY INTEREST AND EQUITY IN UNCONSOLIDATED ENTITIES	3,246	205
MINORITY INTEREST IN (INCOME) LOSS OF CONSOLIDATED ENTITIES	(216)	(78)
EQUITY IN (LOSS) INCOME OF UNCONSOLIDATED ENTITIES	(201)	(222)
	________	________
INCOME (LOSS) BEFORE EXTRAORDINARY CHARGE AND CUMULATIVE EFFECT OF ACCOUNTING PRINCIPLE CHANGES	2,829	(95)
EXTRAORDINARY CHARGE - DEBT PREPAYMENT PENALTY	(2,861)	-
CUMULATIVE EFFECT ON PRIOR YEARS OF CHANGES IN ACCOUNTING PRINCIPLES FOR:		
POSTRETIREMENT BENEFITS OTHER THAN PENSIONS	-	(1,448)
INCOME TAXES	-	(53)
POSTEMPLOYMENT BENEFITS	(393)	-
	________	________
NET LOSS	$ (425)	$ (1,596)
	________	________
	________	________

</TABLE>

I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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C-TEC CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

(Unaudited)

(Dollars in Thousands Except Per Share Amounts)

	Quarter Ended March 31 1994	1993
EARNINGS (LOSS) PER AVERAGE COMMON SHARE		
Income (loss) before extraordinary charge and cumulative effect of accounting principle changes	$.17	$(.01)
Extraordinary charge	(.17)	-
Cumulative effect on prior years of changes in accounting principles	(.03)	(.09)
Net Loss	$(.03)	$(.10)
AVERAGE COMMON SHARES OUTSTANDING	16,509,593	16,498,160

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See accompanying notes to Condensed Consolidated Financial Statements.

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C-TEC CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(Dollars in Thousands)

<TABLE>

<CAPTION>

<S>	<C>	<C>
	March 31 1994	December 31 1993
ASSETS	(Unaudited)	(Audited)
CURRENT ASSETS:		
Cash and temporary cash investments	$ 52,526	$ 60,182
Other current assets	45,939	40,874
Deferred income taxes	2,459	2,125
	________	________
Total current assets	100,924	103,181
	________	________
PROPERTY, PLANT AND EQUIPMENT		
Telephone Plant	384,586	381,411
Cable Plant	177,905	176,297
Cellular Plant	27,893	25,513
Other Property, Plant and Equipment	11,663	11,219
	________	________
Total Property, Plant and Equipment	602,047	594,440
Accumulated Depreciation	257,852	250,632
	________	________
Net Property, Plant and Equipment	344,195	343,808
	________	________
INVESTMENTS	14,578	16,253

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________ ________

INTANGIBLE ASSETS, NET 99,166 106,677

________ ________

DEFERRED CHARGES 11,149 9,645

________ ________

TOTAL ASSETS $570,012 $579,564

________ ________

________ ________

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

Note payable to bank $ 826 $ -

Current maturities of long-term

debt and preferred stock 9,444 6,675 Advance billings &
customer deposits 7,976 7,698

Accrued taxes 11,760 11,295 Accrued interest 4,286 6,431

Other current liabilities 35,956 32,004

________ ________

Total current liabilities 70,248 64,103

________ ________

</TABLE>

C-TEC CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(Dollars in Thousands)

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<TABLE>

<CAPTION>

	March 31 1994 (Unaudited)	December 31 1993 (Audited)
<S>	<C>	<C>
LONG-TERM DEBT	392,538	409,293
DEFERRED INCOME TAXES AND INVESTMENT TAX CREDITS	32,125	30,965
OTHER DEFERRED CREDITS	12,680	12,545
MINORITY INTEREST	2,209	2,019
REDEEMABLE PREFERRED STOCK	274	276
COMMON SHAREHOLDERS' EQUITY:		
Common Stock	16,887	16,887
Additional Paid-in Capital	20,635	20,635
Retained Earnings	27,704	28,129
Treasury Stock at cost, 377,842 shares at March 31, 1994 and December 31, 1993	(5,288)	(5,288)
Total Common Shareholders' Equity	59,938	60,363
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	570,012	579,564

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________ ________

</TABLE>

See accompanying notes to Condensed Consolidated Financial Statements.

C-TEC CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(Unaudited)

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(Dollars in Thousands)

<TABLE>

<CAPTION>

<S> <C> <C>

	Quarter Ended March 31, 1994	1993
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 16,910	$ 16,223
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant & Equipment	(11,905)	(20,561)
Proceeds from sale of Pennsylvania cable properties	1,200	-
Proceeds from redemption of investment in RTB Stock	1,141	-
Proceeds from sale of marketable equity securities	-	2,063
Acquisitions	-	(59)
Other	806	(609)
Net Cash Used in Investing Activities	(8,758)	(19,166)
CASH FLOWS FROM FINANCING ACTIVITIES		
Penalty on early retirement of debt	(2,861)	-
Issuance of Long-Term Debt	135,143	12,000
Redemption of Long-Term Debt	(149,132)	(13,147)
Net Short-Term Borrowings	826	1,106

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Other 216 202

________ ________ Net Cash (Used in) Provided by

Financing Activities (15,808) 161

________ ________

Net Decrease in Cash and

Temporary Cash Investments (7,656) (2,782)

Cash and Temporary Cash Investments at

Beginning of Year 60,182 58,837

________ ________

Cash and Temporary Cash Investments at

March 31, $52,526 $56,055

________ ________

________ ________

Supplemental Disclosures of Cash Flow

Information

Cash paid during the periods for:

Interest (net of amounts capitalized) $10,435 $10,186

________ ________

________ ________

Income taxes $ 867 $ 1,072

________ ________

________ ________

</TABLE>

See accompanying notes to Condensed Consolidated Financial
Statements.

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C-TEC CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Dollars, except per share amounts)

1. The Condensed Consolidated Financial Statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. However, in the opinion of the Management of the Company, the Condensed Consolidated Financial Statements include all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial information. The Condensed Consolidated Financial Statements should be read in conjunction with the financial statements and notes thereto included in the Company's 1993 Annual Report to Shareholders.

2. Certain amounts relating to 1993 have been restated to conform with the 1994 reporting format.

3. In September 1993, the Company received a Notice of Deficiency from the Internal Revenue Service relating to the examination of the Company's consolidated federal income tax returns for 1989, 1990, and 1991. The most significant of these adjustments relate to the disallowance of the claimed amortization of certain intangible assets. Through March 1994, approximately $139,021 in amortization of these assets has been deducted for tax purposes. Management believes that its position is supportable and intends to vigorously oppose these adjustments. Management has filed a petition for redetermination of the deficiencies and additions to tax as set forth in the Notice of Deficiency. In the opinion of management, adequate provision has been made for all income taxes and interest which may ultimately be due as a result of the proposed adjustments. Management believes that the ultimate resolution of this matter will not have a material adverse effect on the financial position of the Company.

4. During the first quarter of 1994, the Company adopted Statement of Financial Accounting Standards No. 112-Employers' Accounting for Postemployment Benefits ("SFAS 112"). Under SFAS 112, the Company is required to accrue the cost of certain self-insured postemployment benefits. Previously, the cost of these benefits was accounted for on a pay-as-you-go basis. The Company elected to immediately recognize the cumulative effect on prior years of the change in accounting for postemployment benefits of $393, which is net of income tax benefits of $280.

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The Company continues to fund the cost of these benefits on a pay-as-you-go basis.

5. On April 1, 1994, the Company signed a definitive agreement for the sale of its cellular properties to Independent Cellular Network, Inc. for approximately $182.5 million. The sale is subject to FCC, Hart-Scott-Rodino and other regulatory approvals. The Company expects the sale to result in a significant nonrecurring gain. The Cellular group had sales of $7,062 and $4,932 for the quarters ended March 31, 1994 and 1993, respectively.

(Thousands of dollars, except per share amounts)

6. In March 1994, the Telephone Group prepaid approximately $135 million mortgage notes payable to the United States through the Rural Electrification Administration, The Rural Telephone Bank and The Federal Financing Bank. The Company borrowed an equal amount from the National Bank for Cooperatives. The most restrictive covenants of the new agreement provide that the Telephone Group must maintain specified ratios for total leverage, interest coverage, and equity to total capitalization. The transaction resulted in an extraordinary loss of $2,861, or $.17 per average common share, net of income tax benefits of $2,154.

7. The provision for income taxes consists of the following:

<TABLE>

<CAPTION>

	1994	1993
<S>	<C>	<C>
Currently payable	$ 2,642	$1,608
Deferred	232	961

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Investment Tax Credits	(184)	(241)
	_______	_______
Total provision	$2,690	$2,328
	_______	_______
	_______	_______

</TABLE>

The provision for income taxes is different than the amounts computed by applying the U.S. statutory federal tax rate (35% in 1994 and 34% in 1993). The differences are as follows:

<TABLE>

<CAPTION>

<S>	1994 <C>	1993 <C>
Income before provision for income taxes and cumulative effect of accounting principle changes	$ 5,519	$ 2,233
	_______	_______
	_______	_______
Federal tax provision at statutory rate	$ 1,932	$ 759
Increase (reduction) due to:		
State income taxes, net of federal benefit	1,007	659
Amortization of investment tax credits	(184)	(241)
Rate differential applied to reversing timing differences	(119)	8
Estimated nondeductible expenses	375	1,000
Non-deductible goodwill	131	129
Tax-exempt interest	(77)	(100)
Equity in unconsolidated entities	138	109
Adjustments to prior years	(121)	65
Regulatory flow through of taxes	(482)	-

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Other, net	90	(60)
	______	______
Provision for income taxes	$2,690	$2,328
	______	______

</TABLE>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS, continued

(Thousands of dollars, except per share amounts)

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

[/TABLE]

[CAPTION]

	March 31, 1994		December 31, 1993	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
[S]	[C]	[C]	[C]	[C]
Net operating loss carryovers	$25,266	-	$25,785	-
Alternative minimum tax credits	11,916	-	11,052	-
Regulatory liability deferred taxes	1,826	-	2,260	-
Benefit plans	1,911	1,309	1,940	1,280

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Property, plant and equipment	1,407	57,941	1,785	57,670
Intangible assets	56	3,652	66	3,453
Prior business combinations	-	1,890	-	1,890
Accruals for nonrecurring charges	1,444	-	1,235	-
All other	1,395	2,094	1,406	2,113
Subtotal	45,221	66,886	45,529	66,406
Valuation allowance	(6,336)	-	(6,114)	-
Total deferred taxes	$38,885	$66,886	$39,415	$66,406

[/TABLE]

In the opinion of management, based on the future reversal of existing taxable temporary differences, primarily depreciation, and its expectations of future operating results, 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 1994 was an increase of $222.

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Item 2. Management's Discussion and Analysis of Financial Condition

and Results of Operations, continued

(Thousands of Dollars, except per share amounts)

The following discussion should be read in conjunction with the attached condensed consolidated financial statements and notes thereto, and with the Company's audited financial statements and notes thereto for the year ended December 31, 1993.

Results of Operations

C-TEC Corporation and subsidiaries' (the "Company") income (loss) before extraordinary charge and cumulative effect of accounting principle changes was $2,829, or $.17 per average common share, for the three months ended March 31, 1994 as compared to ($95), or $(.01) per average common share, for the same period in 1993. Net loss was $425, or $.03 per average common share, for the quarter ended March 31, 1994, including an extraordinary charge of $2,861, ($.17 per average common share), net of income taxes, for penalties on the early repayment of debt of the Telephone Group incurred in connection with a refinancing, and a charge of $393, ($.03 per average common share) for the cumulative effect on prior years of a change in the method of accounting for postemployment benefits. Net loss was $1,596, or $.10 per average common share, for the quarter ended March 31, 1993, including an after-tax gain of $1,312, on the sale of marketable securities and a one-time charge of $1,448, ($.09 per average common share) for the effect on prior years of a required change in accounting for the costs of

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medical and life insurance benefits provided to retired employees.

The improved results before extraordinary charges and cumulative effect of accounting principle changes are attributable to the following:

Telephone Group

For the quarter ended March 31, 1994, the Telephone Group incurred lower central office software costs of $1,636 as compared to the same period in 1993 due to differences in the timing of replacement.

Long Distance Group

Sales of the Long Distance Group increased $1,196 for the three months ended March 31, 1994, as compared to the same period in the prior year primarily due to a 14% increase in minutes and a 1% increase in the average price per minute of switched service.

Carrier expense increased due to increases in sales volume, partially offset by a 4% decrease in average carrier cost per minute. Advertising and salaries expense for sales and marketing personnel increased $371 and $396, respectively, due to expansion in new territories of Harrisburg, Allentown, Philadelphia, and Pittsburgh.

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Mobile Services Group

For the three months ended March 31, 1994, sales increased $2,130 over the comparable period in 1993. The increase is due primarily to higher access and usage revenue of $1,183 and higher foreign roaming revenue of $456. Access and usage revenue increased primarily due to approximately 14,000 additional subscribers. Increased roaming by other carriers' customers and additional cellular sites account for the increase in foreign roaming revenue. Additionally, equipment sales increased $212.

Operating expenses increased primarily due to higher equipment costs of $375 and higher commissions of $181 associated with the increase in equipment sales; higher roaming expense of $334; and higher salaries and benefits.

Cable Group

Sales of the Cable Group increased approximately $865 for the three months ended March 31, 1994 as compared to the same period in 1993 primarily as a result of approximately 6,000 additional subscribers. Additional revenue sources, including higher pay per view resulting from additional events in 1994, offset lower rental revenue of approximately $421 due to changes in FCC pricing regulations for the cable industry.

Other income sources declined as during the quarter ended March 31, 1994 the Cable Group sold its Pennsylvania cable properties at a gain of $893 while the pretax gain on the sale of marketable securities realized during the first quarter of 1993 was $1,988.

Other

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Allocated corporate charges decreased approximately $1,051 during the three months ended March 31, 1994 as compared to the same period in 1993 primarily due to a decrease in salary and bonus expense as a result of the change in control of the Company in October 1993.

Interest

There were no significant changes in interest income or interest expense during the three months ended March 31, 1994 as compared to the same period in 1993.

Income Taxes

For an analysis of the change in income taxes, see the reconciliation of the effective income tax rate in footnote 7 to this quarterly report.

Financial Condition

Other current assets increased primarily due to a one day delay in timing of receipt of a $2,514 payment to the Telephone Group from a major interexchange carrier. Additionally, current assets increased as a result of the required prepayment by the Telephone Group of its 1994 Pennsylvania Gross Receipts Tax. The unamortized balance was $1,592 at March 31, 1994.

Financial Condition, continued

Other than changes resulting from equity pick-ups, investments

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decreased by $1,141 as a result of the refund of Rural Telephone Bank stock on the unexpended portion of borrowings refinanced during the first quarter of 1994 with the National Bank for Cooperatives.

Deferred charges increased primarily as a result of the agreement reached by the Telephone Group in 1993 with the Pennsylvania Public Utility Commission that the Telephone Group will be permitted to recognize only state income taxes actually paid as a cost of service. Accordingly, a regulatory asset has been established for taxes expected to be recovered from ratepayers when such taxes are actually paid.

Other current liabilities increased primarily as a result of accruals for costs associated with construction projects of the Telephone Group which were delayed throughout the winter due to poor weather conditions.

Liquidity and Capital Resources

<TABLE>

<CAPTION>

	March 31	December 31
	1994	1993
<S>	<C>	<C>
Cash and Temporary Cash Investments	$ 52,526	$ 60,182
	________	________
	________	________
Working Capital	$ 30,676	$ 39,078
	________	________
	________	________
Long-Term Debt	$392,538	$409,293
	________	________
	________	________

Three Months Ended March 31

1994 1993

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Net cash provided by operating activities	$ 16,910	$ 16,223
Operating income before depreciation and amortization	$ 30,890	$ 27,054
Investing Activities:		
Additions to property, plant and equipment	$ 11,905	$ 20,561
Acquisitions	-	59
Total	$ 11,905	$ 20,620

</TABLE>

Item 2. Management's Discussion and Analysis of Financial Condition

and Results of Operations, continued

(Thousands of dollars, except per share amounts)

Liquidity and Capital Resources, continued

The Company's cash and temporary cash investments decreased $7,656 over December 31, 1993, primarily due to a reduction of approximately $13,000 in the Cable group's revolving lines of credit, offset by an excess of $5,000 cash generated by operations over capital additions.

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Net cash provided by operating activities represented 142.0% and 78.9% of additions to property, plant and equipment for the three months ended March 31, 1994 and 1993, respectively. Since the nature of the Company's business is capital intensive, management believes that the Company's ability to generate cash in excess of capital additions is a significant factor in providing discretionary resources for acquisitions and other investment opportunities as well as to meet scheduled debt payments.

The Company has additional credit facilities to be drawn upon if needed. Unused credit facilities aggregated $62,000 and $21,654 for C-TEC and its Cable subsidiary, respectively, at March 31, 1994.

The Company's liquidity position has been further strengthened as a result of the Telephone Group's prepayment of mortgage notes payable to the United States of America. As discussed in Footnote 6, this debt was replaced with an equal amount of debt with the National Bank for Cooperatives. This refinancing eased certain restrictions on the amount of dividends and other distributions of capital which may be paid to the Company by the Telephone Group.

Additionally, as discussed in Footnote 5, the Company has entered into a definitive agreement for the sale of its cellular properties for approximately $182.5 million.

The Company has adequate resources to meet its short term obligations, including any liability which may arise as a result of the IRS audit referred to in Note 3. Management estimates that the Company will continue to generate cash from operations in order to meet its long-term obligations.

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Item 2. Management's Discussion and Analysis of Financial Condition

and Results of Operations, continued

(Thousands of dollars, except per share amounts)

REGULATORY ISSUES

CABLE TELEVISION CONSUMER PROTECTION

AND COMPETITION ACT

The Cable Television Consumer Protection and Competition Act of 1992 (the "Act"), enacted on October 5, 1992 and effective April 3, 1993, regulates the cable television industry.

Basic Rate Regulation

The most significant provision of the Act requires the FCC to establish rules to ensure that rates for basic services are reasonable for subscribers in areas without effective competition. Basic service is the level of programming which

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must be subscribed to in order to receive access to any other tier of service. The basic service tier must, at a minimum, include all "must-carry" channels; any public, educational, or governmental access channels required by the franchisor; and all television signals other than non-local satellite-delivered superstations. The FCC must determine whether each cable system is subject to effective competition.

Effective competition is defined by the Act to exist if: (1) fewer than 30 percent of the households in the franchise area subscribe to the service of the current cable system; (2) the franchise area is served by at least two unaffiliated multichannel video programming distributors, each of which offers programming to at least 50 percent of the households and is subscribed to by at least 15 percent of such households; or (3) a multichannel video operator owned by a franchise authority offers service to at least 50 percent of the households in the franchise area. The FCC has announced that for those systems not subject to effective competition, rates will be regulated jointly by the FCC and state and local governments. The FCC has delegated the responsibility of regulation of the basic service tier to the applicable local franchise authority. In order to regulate rates, such authority must be certified by the FCC. In order to be certified, the authority must apply for certification; have the legal authority to regulate; and the franchise area must lack effective competition. A franchise authority may choose not to regulate rates. A local franchise authority that is certified must apply the FCC's benchmark formula. A local franchise authority that lacks the legal authority to regulate or the personnel to administer the regulation may request the FCC to regulate basic rates.

The FCC has broad authority in adopting regulations to ensure that rates are reasonable. The Act permits the FCC to determine what is a "reasonable profit" for the cable operator. The factors which the FCC must take into account in making this determination include, among other things, rates for cable systems subject to effective competition; direct costs of obtaining and providing basic tier service; capital and operating costs of the cable operators, including programming costs; advertising revenues received by the cable operator from basic tier service programming; and certain franchise expenses. The FCC must establish criteria for determining whether rates for service other than basic tier are reasonable and must develop procedures for resolution of complaints and refund of rates determined to be unreasonable.

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Item 2. Management's Discussion and Analysis of Financial Condition

and Results of Operations, continued

(Thousands of dollars, except per share amounts)

On April 1, 1993, the FCC adopted its initial rules regulating cable television rates. All cable television rates except pay-per-view and premium channels are frozen until May 15, 1994. The initial rules, which are in effect until May 15, 1994, permit the retiering and unbundling of services as long as the overall rate per subscriber is not increased. Rates for basic and tiered services are subject to benchmarks. A cable system with rates above the benchmark will be required to roll back its rates to the systems rates as of September 30, 1992, plus an adjustment for inflation since then. If the September 30, 1992 rate exceeds the benchmark, the maximum rate reduction is ten percent of the rates in effect at September 30, 1992. This ten percent reduction represents the competitive differential calculated by the FCC in the initial rate order between the rates charged by competitive and non-competitive cable systems. A system with rates above the benchmark may utilize a cost-of-service showing to justify its rates and avoid the rate reduction.

Equipment charges for basic tier service are also subject to rollback to the level representing the cost of the equipment including a reasonable profit (to be determined by the local franchise authority). In cases where equipment has been included as part of a service tier at no additional cost, it must be unbundled and a separate charge will be allowed.

On February 22, 1994, the FCC adopted revised regulations that will become effective on May 15, 1994. Regulated cable rates that are in place after May 15, 1994 will be evaluated under the new rules. Rates in effect before that date will be evaluated using the FCC's initial rules described above. These new regulations will require cable operators to reduce their September 30, 1992 regulated rates to a new benchmark based on the FCC's revised calculation of a 17 percent competitive differential. Adjustments to the competitive differential may be made for (1) inflation occurring between October 1, 1992 and September 30, 1993, (2) changes in external costs that have occurred since the system became subject to initial regulation at either the local or federal level; or February 28, 1994, whichever date is earliest and (3) changes that have resulted from the addition or deletion of programming channels to regulated tiers since September 30, 1992.

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As a result of these revised rules, regulated cable operators will have to apply the revised competitive differential by May 15, 1994, or, subject to certain restrictions, by July 14, 1994. Cable systems that relied on the benchmark approach to rate-setting under the initial rate regulation structure may choose the benchmark approach or a cost-of-service approach to justify their rates under the new rate regulation scheme. Systems that do not make the rate reductions needed to bring their rates down to the full reduction rate by May 15, 1994 will be subject to refund liability unless they can successfully show, through a cost-of-service showing, that their costs justify higher rates.

Anti-Buy Through

The Act prohibits cable operators from requiring subscribers to buy any level of service other than basic tier to receive programming offered on a per-channel or per-program basis.

Must-Carry

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Cable operators are required by the Act to carry the signals of qualified local commercial and non-commercial television stations which demand carriage.

Retransmission Consent

The FCC requires cable operators to negotiate licenses with the local commercial television stations whose programming the operator desires the right to carry but which do not demand carriage.

Other Provisions

Other regulations under the Act include: (1) cable operators customer service requirements; (2) limitations on indecent and objectionable programming; (3) resolution of complaints relative to unreasonable rates; (4) signal quality; (5) disposition of home wiring; (6) limitations on ownership of cable systems; and (7) consumer electronics equipment compatibility.

Various legal proceedings by other cable operators have commenced regarding the constitutionality of several of the Act's provisions.

Impact to the Company

In determining the impact of the initial FCC basic rate benchmark rules on a Company's current system revenues, cable companies were permitted, prior to September 1, 1993, to restructure their rates and channel offerings as long as the overall rate per subscriber was not increased. Management does not believe that the Company's current restructured rates will be significantly affected by the initial rate regulation because its systems are below the original FCC benchmarks and the average rate per subscriber did not increase after restructuring, based on operating results which have occurred subsequent to the September 1, 1993 effective date.

In November, 1993 the FCC issued letters of inquiry to the Company and other cable operators to investigate the way in which regulated program services were moved to unregulated A la carte offerings and whether these and other changes were in

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compliance with the Act. The Company believes that it is full compliance with the original Act. The Company has responded to the letters of inquiry; however, to date there has been no response from the FCC.

Item 2. Management's Discussion and Analysis of Financial Condition

and Results of Operations, continued

(Thousands of dollars, except per share amounts)

Impact To Company, continued

The franchise certification process to regulate rates began September 1, 1993. To date approximately 48% of the Company's municipalities have filed to regulate basic cable service rates with 32% of these municipalities currently certified to regulate basic rates. Although the Company believes that there will be challenges to its regulated rate structure, the Company does not believe that these challenges will be significant based on complaints received to date.

The Company is currently evaluating the effect of the latest FCC regulations on it's rates. Cable rates subject to federal regulation may be raised in the future annually to recover inflationary increases, and quarterly to recover increases in certain external costs including programming costs, excluding retransmission consent fees prior to October 6, 1994, as well as subscriber related taxes and franchise fees and other franchise requirements. All rate increases on basic service must be approved by the local municipality if it has certified to regulate basic cable service rates. Rate increases on cable programming tier services may be passed through automatically after giving the FCC 30 days' notice. The Company also has the option of raising rates higher than the above formula with a cost-of-service showing. The Company is exploring all of the rate options outlined in the current regulations. It is impossible at this time to definitively project the impact of this new regulatory environment on the Company's regulated cable rates in the future. However, it is likely that lower operating

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margins will exist due to the financial impact to the Company of other provisions of the Act, including increased operating expenses related to retransmission consent prior to October 6, 1994, and to increased costs associated with customer service and technical standards.

PENNSYLVANIA PUBLIC UTILITY COMMISSION

The Company's local exchange telephone subsidiary, Commonwealth Telephone Company (CTCo"), is subject to a rate-making process regulated by the Pennsylvania Public Utility Commission. Consequently, the ability of the Telephone Group to generate increased income and cash flow is largely dependent on its ability to increase its subscriber base, obtain higher message volumes and control its expenses.

PART II - OTHER INFORMATION

Item 4. Results of Votes of Security Holders

The annual meeting of Shareholders was held on April 21, 1994. Matters submitted to and approved by Shareholders included the election of the following Directors:

<TABLE>

<CAPTION>

Nominee	In Favor	Against	Withheld
<S> <C>	<C>	<C>	<C>
David C. McCourt	116,612,528	129,885	7,580
David C. Mitchell	116,612,528	129,885	7,580
Donald G. Reinhard	116,560,662	181,751	7,580
Walter Scott, Jr.	116,616,668	125,745	7,580

</TABLE>

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Item 4. Results of Votes of Security Holders, continued

Additional Directors whose term of office as a Director continued after the meeting included:

James Q. Crowe

Stuart E. Graham

Frank M. Henry

Richard R. Jaros

Robert E. Julian

Eugene Roth

Thomas C. Stortz

Additional matters submitted to and approved by shareholders included the ratification of the selection of Coopers & Lybrand as the Company's independent auditors for the year ending December 31, 1994.

The shareholders also approved the Company's 1994 Stock Option Plan.

The votes of stockholders on these matters were as follows:

	In Favor	Against	Withheld
Auditors	101,442,671	4,060,870	614,837
Stock Option Plan	88,396,084	6,830	7,578

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Item 6. Exhibits and Reports on Form 8-K

a.(3) Exhibits

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

(u) Loan Agreement dated as of March 29, 1994, made by and between Commonwealth Telephone Company and the National Bank for Cooperatives

(10) Material Contracts

(f) C-TEC Corporation, 1994 Stock Option Plan

b. Reports on Form 8-K

There were no reports on Form 8-K filed during the quarter ended March 31, 1994.

SIGNATURES

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Pursuant to the requirements 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.

C-TEC CORPORATION

DATE: May 13, 1994 /s/ Bruce C. Godfrey

____

Bruce C. Godfrey

Executive Vice President and

Chief Financial Officer

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Loan No. T0268

NATIONAL BANK FOR COOPERATIVES

LOAN AGREEMENT

THIS LOAN AGREEMENT (this "Agreement") is made and entered into as of March 29, 1994, by and between the NATIONAL BANK FOR COOPERATIVES ("CoBank") and COMMONWEALTH TELEPHONE COMPANY (the "Borrower").

SECTION 1. The Loan. On the terms and conditions set forth in this Agreement, and subject to Section 11, CoBank agrees to lend to the Borrower an amount up to $135,142,533 (the "Loan").

SECTION 2. Purposes and Use of Proceeds. The proceeds of the Loan shall be applied by the Borrower (i) to the prepayment in full of all indebtedness of the Borrower to (a) the United States of America, acting through the Administrator of the Rural Electrification Administration, (b) the Rural Telephone Bank, and (c) the Federal Financing Bank, including the outstanding principal balance of and accrued but unpaid interest on such indebtedness; (ii) to the payment of fees and costs associated with the Loan and the closing thereof and (iii) for capital expenditures. The Borrower agrees that the proceeds of the Loan shall be used for only the purposes set forth in this Section 2.

SECTION 3. Availability. Subject to Section 11, the Loan will be made on any day on which CoBank is open for business (a "Business Day"), except any day when Federal Reserve Banks are closed, by wire transfer of immediately available funds to such account or accounts as the Borrower may designate, provided that (i) an authorized officer of the Borrower shall have provided CoBank with at least one Business Days' prior written notice of the date on which the Loan is to be made (the "Funding Date"), unless the Borrower elects to have a portion of the Loan accrue interest at a LIBOR Rate (as defined in Section 4(A)(2)(b)), in which case the Borrower shall have provided such notice two Banking Days (as defined below) prior to the Funding Date and the Funding Date shall be a Banking Day, and (ii) the Funding Date so designated shall not be later than March 31, 1994. A "Banking Day" means a Business Day on which dealings in U.S. dollar deposits are carried out in the London Interbank Market and banks are open for business in New York, New York and London, England.

SECTION 4. Interest Fees.

(A) The unpaid principal balance of the Loan shall accrue interest at the rate or rates selected by the Borrower in accordance with this Subsection (A).

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(1) Floating Rate Option. As to any portion of the unpaid principal balance of the Loan selected by the Borrower (any such portion, and any portion selected pursuant to Subsection (A)(2), is hereinafter referred to as a "Portion" of the Loan), interest shall accrue pursuant to this floating rate option at a floating annual interest rate (the "Floating Rate) equal at all times to the National Variable Rate (as hereinafter defined) minus 0.25%. The term "National Variable Rate" shall mean the rate of interest established by CoBank from time to time as its National Variable Rate. The National Variable Rate is intended by CoBank to be a reference rate, and CoBank may charge other borrowers rates at, above, or below that rate. Any change in the National Variable Rate shall take effect on the date established by CoBank as the effective date of such change, and CoBank shall notify the Borrower promptly after any such change.

(2) Fixed Rate Options.

(a) Treasury Rate Option. As to any Portion or Portions of the Loan selected by the Borrower, interest shall accrue pursuant to this treasury rate option at a fixed annual interest rate (a 'Treasury Rate") equal to the sum of the U.S. Treasury Rate (as hereinafter defined) plus a margin (the "Treasury Margin") equal to the percentage determined in accordance with this Subsection (A)(2)(a). Under this option, the interest rate on any Portion of the Loan, in minimum amounts of $100,000, may be fixed for a period (any such period, and any period selected pursuant to Subsections (A)(2)(b) or (A)(2)(c), is hereinafter referred to as an "Interest Period") of one year or more but not beyond the Maturity Date (as defined in Section 5); provided, however, that such Interest Period may only expire on a Business Day; and provided further, however, that each Portion of the Loan accruing interest at a Treasury Rate shall be repaid in part as provided in Section 5 on each Payment Date (as defined in Section 5) occurring during such Interest Period. The term "U.S. Treasury Rate" shall mean the yield to maturity on U.S. Treasury instruments the maturity of which is the same as the weighted average life over the selected Interest Period of the Portion of the Loan subject to such Interest Period, as indicated by Telerate (page 5) at approximately 9:30 a.m., Eastern time, on the date the interest rate is fixed. If, however, no yield is available for the period selected, then the interest rate shall be interpolated based on the interest rates quoted for the next longest and shortest periods of time. In the event Telerate ceases to provide such quotations or materially changes the form or substance of page 5 (as determined by CoBank), then CoBank will notify the Borrower and the parties hereto will agree upon a substitute basis for obtaining such quotations.

Subject to Subsection (B), the Treasury Margin for each Portion of the Loan selected by the Borrower to accrue interest at the

Treasury Rate shall be determined on each date the interest rate is fixed and shall be equal to the percentage specified below

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for the weighted average life over the selected Interest Period of such Portion.

Weighted Average Life	Treasury Margin
5 years or less	0.82%
Greater than 5 years	1.00%

Notwithstanding the foregoing, if the Borrower elects, in the written notice of the Funding Date delivered pursuant to Section 3, the Treasury Rate for any Portion of the Loan for an Interest Period such that the weighted average life of such Portion over such Interest Period is greater than five years, the Treasury Margin for such Portion shall be 0.95%.

For purposes of this Subsection (A)(2)(a) and Section 6, the weighted average life over a period of time of any Portion of the Loan, as determined at any date, shall mean the number of years obtained by dividing:

(i) the sum of:

(a) the sum of the products obtained by multiplying:

(1) the amount of each principal repayment of such Portion to be made pursuant to Section 5 during such period, by

(2) the number of months that will elapse between such date and the making of such repayment divided by 12, plus

(b) the product obtained by multiplying:

(1) the principal balance of such Portion to be outstanding at the end of such period, by

(2) the number of months that will elapse between such date and the end of such period divided by 12, by

(ii) the then outstanding principal balance of such Portion.

For purposes of any calculation provided for in this paragraph, the result shall be rounded, if necessary, to the nearest one hundredth (e.g. 9.745 being rounded up to 9.75 and 9.742 being rounded down to 9.74).

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(b) LIBOR Option. As to any Portion or Portions of the Loan selected by the Borrower, interest shall accrue pursuant to this LIBOR option at a fixed annual interest (a "LIBOR Rate") equal to the sum of LIBOR (as hereinafter defined) plus a margin (the "LIBOR Margin") equal to 0.70% (subject to Subsection (B)). Under this option, the interest rate on any Portion of the Loan, in minimum amounts of $1000,000, may be fixed for an Interest Period of 1 month, 2 month, 3 month, 6 months, 9 months or 12 months but no beyond the Maturity Date; provided, however, that each Portion of the Loan accruing interest at a LIBOR Rate shall be repaid in part as provided in Section 5 on each payment Date occurring during such Interest Period. The term "LIBOR" shall mean the interest rate indicated by Telerate as having been quoted by the British Bankers Association at 11:00 a.m., London time, on the date (which must be a Banking Day) the Borrower elects to fix a rate under this LIBOR option, for the offering of U.S. dollar deposits in the London Interbank Market for the Interest Period selected by the Borrower. The term "month" or "months" shall mean a period commencing two Banking Days after the date the Borrower elects to fix a rate under this LIBOR option and ending on the numerically corresponding day in the next calendar month or the month that is 2,3,6,9 or 12 months thereafter, as the case may be: provided, however, that (i) in the event such ending date is not a Banking Day, such period shall be extended to the next Banking Day unless such next Banking Day falls in the next calendar month, in case such period shall end on the next preceding Banking Day; and (ii) if there is no numerically corresponding day in the ending month, then such period shall end on the last Banking Day in such month.

(c) Quoted Rate Option. As to any Portion or Portions of the Loan selected by the Borrower, interest shall accrue pursuant to this quoted rate option at a fixed annual interest rate (the "Quoted Rate:) to be quoted by CoBank in its sole and absolute discretion. Under this option, the interest rate on any Portion of the Loan, in minimum amounts of $100,000 may be fixed for an Interest Period of 30 days or more; provided, however, that such Interest Period may only expire on a Business Day; and provided further, however, that each portion of the Loan accruing interest at a Quoted Rate shall be repaid in part as provided in Section 5 on each Payment Date occurring during such Interest Period.

(3) Selection And Changes of Rates. The Borrower shall select the applicable interest rate or rates at the time it gives CoBank written notice of the Funding Date pursuant to Section 3. The Borrower may, on any Business

Day, elect to have the Treasury Rate or the Quoted Rate, and on any Banking Day, elect to have the LIBOR Rate, apply to any Portion of the Loan then accruing interest at the Floating Rate. In addition, with respect to any Portion of the Loan accruing interest pursuant to one of the fixed rate options, the Borrower may, subject to Subsection (A)(2), (i) on the last day of the Interest Period for such Portion, elect to fix the interest rate accruing on such Portion for an Interest Period at a Treasury Rate or a Quoted Rate or (ii) two Banking Days prior to the last day of the Interest Period for such Portion, elect to fix the interest rate accruing on such Portion for an Interest Period at a LIBOR Rate. In the absence of any such refix, interest shall automatically accrue on such Portion of the Loan at the Floating Rate. Notwithstanding the foregoing, in the event the Borrower elects to have any Portion of the Loan accruing interest at a Treasury Rate or a Quoted Rate accrue interest at a LIBOR Rate and the last day of the Interest Period for such Portion is not a Banking Day, then interest shall accrue on such Portion at the Floating Rate until the LIBOR Rate becomes effective. From time to time the Borrower may elect on a Business Day and upon payment of the Surcharge (as defined in, and calculated pursuant to, Section 6), to convert all, but not part, of any Portion of the Loan accruing interest pursuant to one of the fixed rate options to accrue interest at the Floating Rate or pursuant to

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another fixed rate option for an Interest Period selected in accordance with Subsection (A)(2); provided, however, that any such conversion to a LIBOR Rate shall not be effective until two Banking Days after such election, which can only be made on a Banking Day. Except for the initial selection, all interest rate selections provided for herein shall be made by telephonic or written request of an authorized employee of the Borrower by 12:00 noon, Eastern time, on the relevant day.

(4) Accrual of Interest. Interest shall accrue pursuant to any of the fixed rate options selected by the Borrower from and including the first day of the applicable Interest Period to but excluding the last day of the Interest Period. If the Borrower elects to refix the interest rate on any Portion of the Loan pursuant to Subsection (A)(3), the first day of the new Interest Period shall be the last day of the preceding Interest Period. In the absence of any such refix, interest shall accrue on such Portion at the Floating Rate from and including the last day of such Interest Period. If the Borrower elects to convert from one fixed rate option to the Floating Rate or to another fixed rate option upon payment of the Surcharge as provided in Subsection (A)(3), interest at the existing fixed rate shall accrue through the day before such conversion and either (i) the first day of any new Interest Period shall be the date of such conversion, or (ii) interest at the Floating Rate shall accrue on the Portion of the Loan so converted from and including the date of conversion.

(B) Margin Adjustments. Notwithstanding the foregoing, if the spread between CoBank's cost of funds (as determined by CoBank in accordance with its methodology) and the U.S. Treasury Rate or LIBOR for any Interest Period selected by the Borrower pursuant to Subsection (A) should widen

(or lessen) from the spread in effect for the same period of time on December 29, 1993, then the Treasury Margin or the LIBOR Margin, as applicable, may be adjusted upward (or downward) at CoBank's discretion to reflect any such change. A hypothetical example of such an adjustment is attached as Schedule 2 hereto. No Treasury Margin adjustment may be made prior to March 31, 1994. No LIBOR Margin adjustment may be made prior to March 31, 2001. No adjustment shall be applied retroactively to any Portion of the Loan accruing interest pursuant to one of the fixed rate options prior to the end of the Interest Period for such Portion. CoBank shall advise the Borrower of any change in such spread and shall provide the Borrower with such information relating to such change as the Borrower may reasonably request.

(C) Payment and Calculation. Interest shall be payable monthly in arrears by the twentieth (20th) day of the following month, upon any prepayment and at maturity, and shall be calculated on the actual number of days the Loan is outstanding on the basis of a year consisting of 360 days. In calculating accrued interest, the date the Loan is made shall be included and the date any principal amount of the Loan is repaid or prepaid shall be excluded as to such amount.

(D) Default Rate. If prior to maturity the Borrower fails to make any payment or investment required to be made under the terms of this Agreement or the Note (including this Section 4), then, at CoBank's option in each instance, such payment or investment shall accrue interest at 2% per annum in excess of the Floating Rate. After maturity, whether by reason of acceleration or otherwise, the unpaid principal balance of the Loan shall automatically accrue interest at 2% per annum in excess of the Floating Rate. All interest provided for in this Subsection (D) shall be payable on demand and shall be calculated from and including the date such payment was due to but excluding the date paid on the basis of a year consisting of 360 days.

(E) Origination Fee. On the Funding Date, the

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Borrower shall pay to CoBank a nonrefundable origination fee in the amount of $350,000.

SECTION 5. Principal Repayment and Maturity. The principal balance of the Loan shall be repaid in 180 consecutive equal monthly installments of $750,791.85 due on the twentieth day of each calendar month (each, a "Payment Date"), commencing on April 20, 1994, and ending on March 20, 2009 (the "Maturity Date"). Any Portion of the Loan accruing interest at the Floating Rate and each Portion of the Loan accruing interest pursuant to one of the fixed rate options shall be reduced by an amount equal to the amount of each installment payment made pursuant to this Section 5 multiplied by a fraction, the numerator of which is the outstanding principal balance of such Portion immediately prior to such payment and the denominator of which is the total outstanding principal balance of the Loan immediately prior to such payment. On the Maturity Date, the amount of the then unpaid principal balance of the Loan and any and all other amounts due and owing hereunder or under any other Loan Document shall be due and payable. If any Payment Date is not a Business

Day, then the principal installment then due shall be paid on the next Business Day and shall continue to accrue interest until paid.

SECTION 6. Prepayment. The Borrower may, on one Business Day's prior written notice, (i) prepay in full or in part any Portion of the Loan accruing interest at the Floating Rate, and (ii) prepay in full (but not in part) any Portion of the Loan accruing interest pursuant to one of the fixed rate options. Any prepayment shall be applied in such a manner as to reduce the amount owing on each remaining principal installment due pursuant to Section 5 by a percentage determined by dividing the amount prepaid by the total unpaid principal balance of the Loan immediately prior to such prepayment. Notwithstanding the foregoing, the Borrower's right to prepay any Portion of the Loan accruing interest pursuant to one of the fixed rate options shall be conditioned upon the payment of a surcharge (the "Surcharge") equal to the present value of any funding losses incurred by CoBank as a result of such prepayment. The Surcharge, including the amount of any funding losses, shall be determined and calculated as follows:

(A) Determine the difference between: (i) CoBank's cost of funds (determined in accordance with its standard methodology) on the date the interest rate was fixed to fund the Portion of the Loan being prepaid; minus (ii) CoBank's cost of funds (determined in accordance with such methodology) on the date of prepayment to fund a new loan with a weighted average life equal to the weighted average life over the remainder of the selected Interest Period of the Portion of the Loan being prepaid. If such difference is negative, then no Surcharge is payable.

(B) If such difference is positive, divide the result determined in Subsection (A) by 12.

(C) For each month or part thereof during which the Portion of the Loan prepaid was scheduled to have been outstanding, multiply the amount determined in Subsection (B) by that part of the Portion of the Loan prepaid that was scheduled to have been outstanding during such month (such that there is a monthly calculation for each month during which the Portion of the Loan prepaid was scheduled to have been outstanding).

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(D) Determine the present value of each monthly calculation made under Subsection (C) based upon the scheduled time that interest on the Portion of the Loan prepaid would have been payable and a discount rate equal to the rate set forth in Subsection (A)(ii).

(E) Add all of the calculations made under Subsection (D). The result shall be the Surcharge.

A hypothetical example illustrating the above described calculation of the Surcharge is attached as Schedule 3 hereto.

SECTION 7. Note. The Borrower's obligation to repay the Loan shall be evidenced by a promissory note in form and content acceptable to CoBank (as the same may be amended, modified, supplemented, extended or restated from time to time and any promissory note that may be issued from time to time in substitution, renewal, extension, replacement or exchange therefor, the "Note").

SECTlON 8. Manner and Time of Payment. If any date on which payment is due hereunder is not a Business Day, the payment shall be made on the next succeeding Business Day. The Borrower shall make each payment under this Agreement and under the Note by wire transfer of immediately available funds or by check. Wire transfers shall be made to the Federal Reserve Bank of Atlanta for advice to and credit of NATL BK COOPS, Federal Reserve Bank account number 0619-0193-1 (or to such other account as CoBank may designate by notice) with sufficient information to identify the source and application of such funds. The Borrower shall give CoBank telephonic notice no later than 12:00 noon, Eastern time, of its intent to pay by wire transfer. Wire transfers received after 3:00 p.m., Eastern time, shall be credited on the next Business Day. Checks shall be mailed or delivered to CoBank at Drawer CS 198552, Atlanta, Georgia 303848552 (or to such other address as CoBank may designate by notice). Credit for payment by check will not be given until the next Business Day after receipt of the check or the actual receipt of immediately available funds, whichever is later.

SECTION 9. Capitalization. The Borrower agrees to purchase such equity in CoBank as CoBank may from time to time require in accordance with its bylaws and capital plan; provided, however, that CoBank may not require the Borrower to purchase equity in CoBank in an amount greater than 13% of the portion of CoBank's five year average risk adjusted asset base attributable to loans made by CoBank to the Borrower. In connection with the foregoing, the Borrower hereby acknowledges receipt, prior to the execution of this Agreement, of CoBank's bylaws, a written description of the terms and conditions under which the equity is issued, CoBank's Loan-Based Capital Plan, CoBank's most recent annual report, and if more recent than CoBank's latest annual report, its latest quarterly report. All such investments and all other equities which the Borrower may now own or hereafter acquire or be allocated in CoBank shall be subject to a statutory first lien in favor of CoBank.

SECIION 10. Security. The Loan shall be secured by that certain (i) Mortgage and Security Agreement, dated as of even date herewith, made by the Borrower to CoBank (as the same may be amended, modified, supplemented or restated from time to time, the "Mortgage") pursuant to which the Borrower

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shall grant to CoBank a first priority mortgage lien on all of its now owned or hereafter acquired real and personal property; and (ii) Security Agreement, dated as of even date herewith, made by the Borrower to CoBank (as the same may be amended, modified, supplemented or restated from time to time, the "Security Agreement") pursuant to which the Borrower shall grant to Cobank a first priority security interest in substantially all of its now owned or hereafter acquired tangible and intangible personal property.

SECTION 11. Conditions Precedent. CoBank's obligation to make the Loan hereunder is subject to satisfaction of each of the following conditions precedent on or before the Funding Date:

(A) Loan Documents. That CoBank receive duly executed originals of this Agreement, the Note, the Mortgage, the Security Agreement, and all other instruments and documents contemplated hereby or thereby (collectively, the "Loan Documents").

(B) Authorization. That CoBank receive copies of all corporate documents and proceedings of the Borrower authorizing the execution, delivery, and performance of the Loan Documents, certified by the Secretary of the Borrower.

(C) Approvals. That CoBank receive evidence satisfactory to it that all federal and state consents and approvals (including, without limitation, all regulatory approvals) which are necessary for, or required as a condition of, the validity and enforceability of the Loan Documents or the creation or perfection of the liens and security interests identified in Section 10 have been obtained and are in full force and effect.

(D) Opinions of Counsel. That CoBank receive opinions of counsel for the Borrower (who shall be acceptable to CoBank) in form and content acceptable to CoBank.

(E) Fees, Expenses and Capital. That the Borrower (i) pay the fee set forth in Section 4(E) hereof and the costs and expenses required by Section 20 hereof to be paid by the Borrower and (ii) make an initial capital contribution in CoBank in the amount of $1,000.

(F) Environmental Checklist. That CoBank receive from the Borrower an environmental checklist on a form prescribed by CoBank covering all real property which is to be subject to a CoBank mortgage lien, the Borrower's environmental records and procedures, and a chain of title for at least 40 years showing the past ownership of all real property identified on Schedule 1 hereto, all of such information to be satisfactory to CoBank in its sole discretion.

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(G) Perfection and Priority of Liens. That CoBank receive (i) an opinion of counsel in form and content acceptable to it to the effect that, as of the Funding Date, CoBank has a duly perfected security interest in all collateral covered by the Security Agreement subject to no prior liens other than liens not subject to the restriction of Section 14(B) or such liens as may be acceptable to CoBank in connection with the indebtedness described in Section 2; and (ii) a policy or policies of title insurance in such amount or amounts and containing such terms and endorsements as CoBank shall, in its sole discretion, require, insuring that, as of the Funding Date, the Mortgage constitutes a first mortgage lien on the real property identified on Schedule 1 hereto.

(H) Refinanced Indebtedness. That concurrently with the making of the Loan, all of the indebtedness described in Section 2 be paid in full and all liens and security interests relating to such indebtedness be fully released or provisions satisfactory to CoBank be made for full release thereof and that CoBank receive evidence to such effect satisfactory to it.

(I) Event of Default. That no Event of Default (as that term is defined in Section 15) exists, and that there has occurred no event which with the passage of time or the giving of notice, or both, could become an Event of Default (each such event, a "Default").

(J) Representations and Warranties. That the representations and warranties of the Borrower contained in this Agreement and any other Loan Document be true and correct in all material respects on and as of the Funding Date, as though made on and as of such date.

(K) No Material Adverse Change. That from December 31, 1992 to the Funding Date there shall not have occurred any material adverse change in the business, financial condition or results of operations of the Borrower; provided, however, that any special dividend made pursuant to Section 14(H) shall not be taken into consideration in determining whether such a material adverse change has occurred (any such material adverse change is hereinafter referred to as a "Material Adverse Change").

(L) No Injunction. That no court or other government body or public authority shall have issued an order which shall then be in effect restraining or prohibiting the completion of the transactions contemplated hereby.

(M) Closing Certificate. That CoBank receive a certificate, in the form attached hereto as Exhibit A, dated the Funding Date, signed by the President, Chief Financial Officer or Treasurer of the Borrower, certifying as to the truth and accuracy of the representations and warranties of the Borrower under the Loan Documents and the satisfaction of each of the conditions applicable to the making of the Loan specified herein

(N) Factual Matters. That CoBank receive a certificate (the "Factual Matters Certificate"), in the form attached hereto as Exhibit B, dated the Funding Date, signed by the President, Chief Financial Officer or Treasurer of the Borrower, certifying as to the matters set forth therein.

SECTION 12. Representations and Warranties. To induce CoBank to make advances hereunder, and recognizing that CoBank is relying hereon, the Borrower represents and warrants, as of

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the date of this Agreement and as of the Funding Date, as follows:

(A) Organization; Power, Etc. The Borrower (i) is duly organized, validly existing, and in good standing under the laws of its state of incorporation; (ii) is duly qualified to do business and is in good standing in each jurisdiction in which the character of its properties or the nature of its business requires such qualification; (iii) has all requisite corporate and legal power to own and operate its assets and to carry on its business and to enter into and perform its obligations under the Loan Documents; (iv) has duly and lawfully obtained and maintained all licenses, certificates, permits, authorizations, approvals, and the like which are necessary in the conduct of its business or which may be otherwise required by law; and (v) is eligible to borrow from CoBank.

(B) Due Authorization; No Violations; Etc. The execution and delivery by the Borrower of, and the performance by the Borrower of its obligations under, the Loan Documents have been duly authorized by all requisite corporate action on the part of the Borrower and do not and will not (i) violate any provision of any law, rule or regulation, any judgment, order or ruling of any court or governmental agency, the articles of incorporation or bylaws of the Borrower, or any agreement, indenture, mortgage, or other instrument to which the Borrower is a party or by which the Borrower or any of its properties is bound, or (ii) be in conflict with, result in a breach of, or constitute with the giving of notice or lapse of time, or both, a default under any such agreement, indenture, mortgage, or other instrument. All actions on the part of the shareholders of the Borrower necessary in connection with the execution and delivery by the Borrower of, and the performance by the Borrower of its obligations under, the Loan Documents have been taken and remain in full force and effect as of the date hereof.

(C) Consents. No consent, permission, authorization, order, or license of any governmental authority is necessary in connection with the execution, delivery, performance, or enforcement of the Loan Documents except such as have been obtained and are in full force and effect.

(D) Binding Agreement. Each of the Loan Documents is, or when executed and delivered will be, the legal, valid, and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, subject only to limitations on enforceability imposed by (i) applicable bankruptcy, insolvency, reorganization,

moratorium, or similar laws affecting creditors' rights generally, and (ii) general equitable principles.

(E) Compliance with Laws. The Borrower is in compliance in all material respects with all federal, state, and local laws, rules, regulations, ordinances, codes, and orders (collectively, "Laws"), the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of the Borrower, or on the ability of the Borrower to perform its obligations under the Loan Documents, except as the Borrower has disclosed on Schedule 1 hereto.

(F) Environmental Compliance. Without limiting the provisions of Subsection (E), all property owned or leased by the Borrower and all operations conducted by it are in compliance in all material respects with all Laws relating to environmental protection, the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of the Borrower, or on the ability of the Borrower to perform its obligations

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under the Loan Documents, except as the Borrower has disclosed on Schedule 1 hereto.

(G) Litigation. There are no existing legal, arbitration, or governmental actions or proceedings to which the Borrower is a party or to which any of its property is subject which could have a material adverse effect on the condition, financial or otherwise, operations, properties or business of the Borrower or on the ability of the Borrower to perform its obligations under the Loan Documents, and to the best of the Borrower's knowledge, no such actions or proceedings are threatened or contemplated.

(H) Financial Statements; No Material Adverse Change; Etc. The audited financial statements of the Borrower for the fiscal year ended December 31, 1992, and the unaudited financial statements of the Borrower for the period ended September 30, 1993 and for the fiscal year ended December 31, 1993, submitted to CoBank in connection with the Loan fairly and fully present in all material respects the financial condition of the Borrower, and the results of the Borrower's operations for the periods covered thereby and were prepared in accordance with generally accepted accounting principles ("GAAP") consistently applied and any system of accounts to which the Borrower is subject (except as otherwise disclosed therein). Since December 31, 1992, there has been no Material Adverse Change. All budgets, projections, feasibility studies, and other documentation submitted by the Borrower to CoBank were based upon assumptions that management of the Borrower believed were reasonable and realistic at the time submitted, and as of the date hereof, no fact has come to light, and no event or transaction has occurred, which would cause any assumption made therein not to be reasonable or realistic.

(I) Principal Place of Business; Records. The principal place of business and chief executive office of the Borrower and the place where the records required by Section 13(G) are kept is at the address of the Borrower shown in Section 19.

(n) Subsidiaries. The Borrower has no subsidiaries.

(K) Employee Benefit Plans. Except as disclosed on Schedule 1 hereto, the Borrower is in compliance in all material respects with the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended, and the regulations and published interpretations thereunder.

(L) Taxes. The Borrower has filed or caused to be filed all federal state and local tax returns that are required to be filled, and has paid all taxes as shown on said returns or on any assessment received by the Borrower to the extent that such taxes have become due, or are being contested by the Borrower in good faith and by appropriate proceedings and then only to the extent adequate reserves have been set aside on the Borrower's books therefor.

(M) Investment Company Act; Public Utility Holding Company Act. The Borrower is not an "investment company" as that term is defined in, and is not otherwise subject to regulation under, the Investment Company Act of 1940, as amended. The Borrower is not a "holding company" as that term is defined in, and is not otherwise subject to regulation under, the Public Utility Holding Company Act of 1935, as amended.

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(N) Use of Proceeds. The funds to be borrowed hereunder will be used only as contemplated hereby. No part of such funds will be used to purchase any "margin securities" or otherwise in violation of the regulations of the Federal Reserve System.

(O) Factual Matters Certificate. The information about the Borrower contained in paragraphs 2 through 9 of the Factual Matters Certificate delivered to CoBank will be true and complete with respect to the matters addressed therein as of the Funding Date. Notwithstanding paragraph 1 of such Factual Matters Certificate, the representations made in this Subsection (O) are not limited by the Borrower's knowledge.

SECTION 13. Affirmative Covenants. Unless otherwise agreed to in writing by CoBank, while this Agreement is in effect the Borrower agrees to:

(A) Corporate Existence. Preserve and keep in full force and effect its corporate existence and good standing in the jurisdiction of its incorporation, and its qualification to transact business and good standing in all places in which the character of its properties or the nature of its business requires such qualification.

(B) Compliance with Laws and Agreements. Comply in all material respects with (i) all Laws, the failure to comply with which could have a material adverse effect on its condition, financial or otherwise, operations, properties, or business, or on its ability to perform its obligations under the Loan Documents; and (ii) all agreements, indentures, mortgages, and other instruments to which it is a party or by which it or any of its property is bound.

(C) Compliance with Environmental Laws. Without limiting the provisions of Subsection (B), comply in all material respects with, and cause all persons occupying or present on any properties owned or leased by it to so comply with, all Laws relating to environmental protection, the failure to comply with which could have a material adverse effect on its condition, financial or otherwise, operations, properties, or business, or on its ability to perform its obligations under the Loan Documents.

(D) Licenses; Permits; Etc. Duly and lawfully obtain and maintain in full force and effect all licenses, certificates, permits, authorizations, approvals, and the like which are material to the conduct of its business or which may be required by Law.

(E) Insurance. Maintain insurance with insurance companies or associations reasonably acceptable to CoBank in such amounts and covering such risks as are usually carried by companies engaged in the same or similar business and similarly situated, and make such increases in the type or amount of coverage as CoBank may request. All such policies insuring any collateral provided for in any Loan Document shall provide for loss payable clauses or endorsements in form and content acceptable to CoBank. At the request of CoBank, all policies (or such other proof of compliance with this Section 13(E) as may be reasonably satisfactory) shall be delivered to CoBank.

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(F) Property Maintenance. Maintain and preserve at all times its property, and each and every part and parcel thereof, in good repair, working order and condition, ordinary wear and tear excepted.

(G) Books and Records. Keep adequate records and books of account in accordance with GAAP consistently applied and any system of accounts to which the Borrower is subject.

(H) Inspection. Permit CoBank or its agents, during normal business hours or at such other times as the parties may agree, to examine its properties, books, and records, and to discuss its affairs, finances, operations, and accounts with its officers, directors, employees, and independent certified public accountants. Notwithstanding the provisions of Section 20, any such examination not made in connection with the preservation or enforcement of CoBank's rights and remedies hereunder and under the other Loan Documents shall be made at CoBank's expense.

(I) Reports and Notices. Furnish to CoBank:

(1) Annual Financial Statements. As soon as available, but in no event later than 90 days after the end of each fiscal year of the Borrower occurring during the term hereof, annual financial statements of the Borrower and all of its subsidiaries whose accounts are at the time in question, in accordance with GAAP, consolidated with those of the Borrower (such subsidiaries, together with the Borrower, collectively, the "Companies") prepared on a consolidated basis (on a "Consolidated Basis") in accordance with GAAP consistently applied and any system of accounts to which the Companies are subject. Such financial statements shall: (i) be audited by independent certified public accountants selected by the Borrower and acceptable to CoBank; (ii) be accompanied by a report of such accountants containing an opinion acceptable to CoBank; (iii) be prepared in reasonable detail and in comparative form for the preceding fiscal year; and (iv) include a balance sheet, a statement of income, a statement of retained earnings, a statement of cash flows, and all notes and schedules relating thereto. In addition, such audited consolidated annual financial statements shall be accompanied by unaudited consolidating annual financial statements, including a balance sheet, a statement of income, a statement of retained earnings, and a statement of cash flows, each likewise set forth in comparative form.

(2) Quarterly Financial Statements. As soon as available but in no event later than 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower occurring during the term hereof, unaudited quarterly financial statements of each of the Companies and unaudited quarterly financial statements of the Companies prepared on a Consolidated Basis, in each case in accordance with GAAP consistently applied and any system of accounts to which the Companies are subject (except for the omission of footnotes and for the effect of normal year-end audit adjustments). Such financial statements shall: (i) be prepared in reasonable detail and set forth in comparative form corresponding figures for the corresponding period of the preceding fiscal year, and (ii) include a balance sheet, a statement of income for such quarter and for the period year-to-date, a statement of cash flows, and such other quarterly statements of the Companies as CoBank may specifically request, which quarterly statements shall include any and all supplements thereto.

(3) Notice of Default. Promptly after becoming aware thereof, notice of (i) the occurrence of any Default or Event of Default hereunder or under any other Loan Document, or

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(ii) the occurrence of any breach, default, event of default, or other event which with the giving of notice or lapse of time, or both, could become a breach, default, or event of default under any agreement, indenture, mortgage, or other instrument (other than the Loan Documents) to which it is a party or by which it or any of its property is bound or affected if the effect of such breach, default, event of default, or other event is to accelerate, or to permit the acceleration of, the maturity

of any indebtedness under such agreement, indenture, mortgage, or other instrument; provided, however, that the failure to give such notice shall not affect the right and power of CoBank to exercise any and all of the remedies specified herein.

(4) Notice of Non-Environmental Litigation. Promptly after the commencement thereof, notice of the commencement of all actions, suits, or proceedings before any court, arbitrator, or governmental department, commission, board, bureau, agency, or instrumentality affecting the Borrower which could have a material adverse effect on its condition, financial or otherwise, operations, properties, or business or on its ability to perform its obligations under the Loan Documents.

(5) Notice of Environmental Litigation. Without limiting the provisions of Subsection (I)(4), promptly after receipt thereof, notice of the receipt of all pleadings, orders, complaints, indictments, or other communications alleging a condition that may require the Borrower to undertake or to contribute to a cleanup or other response under Laws relating to environmental protection, or which seeks penalties, damages, injunctive relief, or criminal sanctions related to alleged violations of such Laws, or which claims personal injury or property damage to any person as a result of environmental factors or conditions or which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of the Borrower or on its ability to perform its obligations under the Loan Documents.

(6) Regulatory and Other Notices. Promptly after receipt thereof, copies of any filings or communications sent to or notices or other communications received from any governmental authority, including without limitation, the Pennsylvania Public Utility Commission (the "Commission"), the Federal Communications Commission (the "FCC'), and the Securities and Exchange Commission (the "SEC'), relating to any noncompliance by the Borrower with any Law or with respect to any matter or proceeding the effect of which could have a material adverse effect on its condition, financial or otherwise, operations, properties, or business or on its ability to perform its obligations under the Loan Documents.

(7) Material Adverse Change. Prompt notice of any matter which has resulted or could result in a material adverse effect on the condition, financial or otherwise, operations, properties, or business of the Borrower or on its ability to perform its obligations under the Loan Documents.

(8) Compliance Certificates. Concurrently with each statement required to be furnished pursuant to Subsections (r)(1) and (I)(2), a certificate in the form attached hereto as Exhibit C executed by the President, Chief Financial Officer or Treasurer of the Borrower.

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(9) ERISA Reportable Events. Within 10 days after the Borrower becomes aware of the occurrence of any Reportable Event (as defined in Section 4043 of ERISA) with respect to any of the Companies, a statement describing such Reportable Event and the actions proposed to be taken in response to such Reportable Event.

(10) SEC Filings. Promptly upon the filing thereof, copies of any and all reports on Forms 10-K, 10-Q and 8-K and any and all proxy statements filed by C-TEC Corporation with the SEC

(11) Other Information. Such other information regarding the financial or operational condition of the Borrower as CoBank may, from time to time, reasonably request.

(J) Financial Covenants.

(1) Total Leverage Ratio. Maintain at all times, on a Consolidated Basis, a Total Leverage Ratio not in excess of 3.5:1.0. The term "Total Leverage Ratio" shall mean the ratio of Indebtedness to Operating Cash Flow. The term "Indebtedness" shall mean, without duplication, (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of property or services other than accounts payable arising in connection with the purchase of inventory on terms customary in the trade, (iii) obligations, whether or not assumed, secured by liens or payable out of the proceeds or production from property now or hereafter owned or acquired, (iv) obligations which are evidenced by notes, acceptances, or other instruments, (v) capitalized agreements, (vi) fixed rate hedging obligations that are due (after giving effect to any period of grace or notice requirement applicable thereto) and remain unpaid, and (vii) fixed payment obligations under guaranties that are due and remain unpaid, all calculated on a Consolidated Basis. The term "Operating Cash Flow" shall mean the sum of (a) pretax income, or deficit, as the case may be, excluding extraordinary gains and the write up of any asset, (b) total interest expense (including non-cash interest), (c) depreciation and amortization expense, (d) accrued and unpaid management fees, (e) minority interest, to the extent deducted in the calculation of pre-tax income, or deficit, and (f) non-recurring transaction expenses incurred in connection with the negotiation and execution of the Loan Documents, all calculated on a Consolidated Basis. For purposes of determining any applicable ratio, Operating Cash Flow shall be measured for the then most recently completed four fiscal quarters, adjusted to give effect to any acquisition, sale, or other disposition of any operation during the period of calculation, as if such acquisition, sale, or other disposition occurred on the first day of such period of calculation.

(2) Interest Coverage Ratio. Maintain at all times, on a Consolidated Basis, an Interest Coverage Ratio of at least 2.0:1.0. The term

"Interest Coverage Ratio" shall mean the ratio derived by

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dividing (i)

Operating Cash Flow by (ii) cumulative cash interest expense for the then most recently completed four fiscal quarters (determined in accordance with GAAP consistently applied).

(3) Equity to Total Capitalization Ratio. Maintain at all times, on a Consolidated Basis, an Equity to Total Capitalization Ratio of not less than 30.0%. The term "Equity to Total Capitalization Ratio" shall mean the ratio derived by dividing (i) the amount derived by subtracting total liabilities from total assets by (ii) the amount derived by subtracting total liabilities from total assets and adding total Indebtedness (determined in accordance with GAAP consistently applied).

SECTION 14. Negative Covenants. Unless otherwise agreed to in writing by CoBank, while this Agreement is in effect, the Borrower shall not:

(A) Borrowings. Create, incur, assume, or allow to exist, directly or indirectly, any indebtedness or liability for borrowed money, for the deferred purchase price of property or services, or for the lease of real or personal property which lease is required to be capitalized under GAAP or which is treated as an operating lease under regulations applicable to it but which otherwise would be required to be capitalized under GAAP (a "Capital Lease"), except for (i) obligations to CoBank, (ii) accounts payable to trade creditors and current operating liabilities (other than for borrowed money) incurred in the ordinary course of its business, and (iii) (a) other unsecured obligations and (b) Capital Leases, so long as no Default or Event of Default exists at the time of, or would result from, the creation, incurrence, assumption, or existence of any such obligation or Capital Lease referred to in this clause (iii).

(B) Liens. Create, incur, assume, or allow to exist any mortgage, deed of trust, deed to secure debt, pledge, lien (including the lien of an attachment, judgment, or execution), security interest, or other encumbrance of any kind upon any of its property, real or personal. The foregoing restrictions shall not apply to (i) liens in favor of CoBank; (ii) liens for taxes, assessments, or governmental charges that are not past due, or are being contested in good faith and by appropriate proceedings and then only to the extent adequate reserves have been set aside therefor; (iii) liens, pledges, and deposits under workers' compensation, unemployment insurance, and social security laws; (iv) liens, deposits, and pledges to secure the performance of bids, tenders, contracts (other than contracts for the payment of money), and like obligations arising in the ordinary course of its business as conducted on the date hereof; (v) liens imposed by law in favor of mechanics, materialmen, warehousemen, lessors and like persons that secure obligations that are not past due, or are being contested in good faith and by

appropriate proceedings and then only to the extent adequate reserves have been set aside therefor; (vi) liens constituting encumbrances in the nature of zoning restrictions, easements, and rights or restrictions of record on the use of real property of the Borrower that do not materially detract from the value of such real property or impair the use thereof in the business of the Borrower; and (vii) Capital Leases not secured by any property which is not subject to such lease.

(C) Mergers; Acquisitions; Etc. (i) Merge or

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consolidate with any other entity or (ii) acquire all or substantially all of the assets of any person or entity, or form or create any new subsidiary, or commence operations under any other name, organization, or entity, including any joint venture; provided, however, that the Borrower may enter into any such transaction described in this clause (ii) involving any entity or entities engaged in, or assets to be used by the Borrower in, the telecommunications business without the written agreement of CoBank if no Default or Event of Default exists at the time of, or would occur as the result of, any such transaction, including, without limitation, any Event of Default as described in Section 15(J) and any Default occurring as the result of a breach of Subsection (F) or Section 13(J).

(D) Transfer of Assets. Sell, transfer, lease, enter into any contract for the sale, transfer or lease of, or otherwise dispose of, any of its assets, except as provided in the Mortgage or the Security Agreement, as the case may be.

(E) Loans and Investments. After the date hereof, make any loan or advance to, invest in, purchase, or make any commitment to purchase any stock, bonds, notes, or other securities of, or guarantee, assume, or otherwise become obligated or liable with respect to the obligations of, any person or entity (each, whether made directly or indirectly, an "Investment") in an amount in excess of S1,000,000 as to any single Investment or in excess of $5,000,000 as to all such Investments existing at any time, determined for the Companies, on a Consolidated Basis, other than (i) stock or other securities of CoBank; (ii) Class C stock of the Rural Telephone Bank; (iii) securities or deposits issued, guaranteed, or fully insured as to payment by the United States of America or any agency or instrumentality thereof; (iv) interest bearing deposit accounts (which may be represented by certificates of deposit) in national or state banks or savings and loan associations which have (or the parent of which has) outstanding securities rated by a nationally recognized rating organization (a "Rating Agency") in either of the two highest rating categories (without regard to modifiers) for short term securities or in any of the three highest rating categories (without regard to modifiers) for long term securities or any equivalent successor rating category; (v) bankers' acceptances drawn on and accepted by commercial banks which have (or the parent of which has) outstanding securities rated by a

Rating Agency in either of the two highest rating categories (without regard to modifiers) for short term securities or in any of the three highest rating categories (without regard to modifiers) for long term securities or any equivalent successor rating categories; (vi) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, any State or Territory of the United States of America or the District of Columbia, or any political subdivision of any of the foregoing, which are rated by a Rating Agency in either of the two highest rating categories (without regard to modifiers) for short term securities or in any of the three highest rating categories (without regard to modifiers) for long term securities or any equivalent successor rating categories; (vii) commercial or finance company paper which is rated by a Rating Agency rated in any of the two highest rating categories (without regard to modifiers) for short term securities or any equivalent successor rating categories; (viii) corporate debt securities or preferred stock rated by a Rating Agency in any of the three highest rating categories (without regard to modifiers) for long term securities or any equivalent successor rating categories; and (ix) repurchase agreements with banking or financial institutions which have (or the parent of which has) outstanding securities rated by a Rating Agency in either of the two highest rating categories (without regard to modifiers) for short term securities or in any of the three highest rating categories (without regard to modifiers) for long term securities or any equivalent successor rating categories with respect to any of the foregoing obligations or securities.

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(F) Change in Business. Engage in any business activities or operations substantially different from or unrelated to the Borrower's current business activities or operations.

(G) Disposition of Licenses. Sell, assign, transfer, or otherwise dispose of, or attempt to dispose of, in any way, any registrations, licenses, franchises, grants, permits, or other governmental approvals necessary or useful in the operation of its business.

(H) Dividends and Distributions. Make, declare, or pay any dividend or other distribution of assets to shareholders of the Borrower during any fiscal year (i) if a Default or Event of Default then exists or would occur as the result thereof, or (ii) which, in the aggregate with all other such dividends or distributions during such fiscal year, exceeds the amount of the after tax net income of the Borrower for the immediately preceding fiscal year (determined in accordance with GAAP consistently applied), provided, however, that the limitation in this clause (ii) shall not apply to any special dividends paid on or before October 1, 1994 in an aggregate amount not to exceed $40,000,000.

SECTION 15. Events of Default. Each of the following shall constitute an "Event of Default" hereunder:

(A) Payment Default. The failure by the Borrower to make any payment or investment required to be made hereunder, under the Note, or under any other Loan Document when due, and such payment or investment is not made within five (5) Business Days thereafter.

(B) Representations and Warranties. Any representation or warranty made by the Borrower herein or in any other Loan Document, or any factual statement made in the Factual Matters Certificate, shall prove to have been false or misleading in any material respect on or as of the date made.

(C) Certain Affirmative Covenants. The failure by the Borrower to perform or comply with any covenant set forth in Section 13 (other than Sections 13(A) and 13(I)(3), (4), (5), (6) and (7)), and such failure continues for thirty (30) days after written notice thereof shall have been delivered by CoBank to the Borrower.

(D) Other Covenants and Agreements. The failure by the Borrower to perform or comply with any other covenant or agreement contained herein, including, without limitation, any covenant excluded under Subsection (C).

(E) Cross-Default. The occurrence of any breach, default, event of default, or event which with the giving of notice or lapse of time, or both, could become a default or event of default under (i) any Loan Document other than this Agreement, or (ii) the terms of any agreement (other than the Loan Documents) between the Borrower and CoBank, including, without limitation, any guaranty, loan agreement, security agreement, mortgage, deed to secure debt, or deed of trust.

(F) Other Indebtedness. The occurrence of any breach, default, event of default, or event which with the giving of notice or lapse of time, or both, could become a default or event of default under any agreement, indenture,

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mortgage, or other instrument by which the Borrower or any of its property is bound or affected (other than the Loan Documents) if the effect of such breach, default, event of default, or event is to accelerate, or to permit the acceleration of, the maturity of any indebtedness in excess of $1,000,000 under such agreement, indenture, mortgage, or other instrument.

(G) Judgments. Judgments, decrees, or orders for the payment of money in an aggregate amount in excess of $1,000,000 shall be rendered against any of the Borrower and either (i) enforcement proceedings shall have been commenced; or (ii) such judgments, decrees, and orders shall continue unsatisfied and in effect for a period of forty-five (45) consecutive days without being vacated, discharged, satisfied, or stayed pending appeal.

(H) Insolvency, Etc. The Borrower (i) shall become insolvent or shall generally not, or shall be unable to, or shall admit in writing its

inability to, pay its debts as they come due; or (ii) shall suspend its business operations or a material part thereof or make an assignment for the benefit of creditors; or (iii) shall apply for, consent to, or acquiesce in the appointment of a trustee, receiver, or other custodian for it or any of its property or, in the absence of such application, consent, or acquiescence, a trustee, receiver, or other custodian is so appointed; or (iv) shall commence with respect to it or have commenced against it any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, or liquidation law or statute of any jurisdiction; provided, however, that, with respect to any proceeding commenced against the Borrower, the Borrower shall have failed to obtain a dismissal, stay, or other nullification within sixty (60) days after such commencement.

(I) Eligibility. The failure by the Borrower to maintain its eligibility to borrow from CoBank.

(J) Security. The Mortgage or the Security Agreement and the filings contemplated thereby shall for any reason fail (i) to create a valid and perfected first priority lien, security interest, or security title (subject only to such exceptions as are therein permitted) on any of the property of the Borrower identified therein, or (ii) to secure thereunder the obligations evidenced by the Note and this Agreement.

SECTION 16. Remedies Upon Event of Default.

(A) Automatic Acceleration. Upon the occurrence of an Event of Default under Section 15(H), the entire unpaid principal balance of the Note, all accrued interest thereon, and all other amounts payable under this Agreement, the Note, and all other agreements between CoBank and the Borrower shall become immediately due and payable without protest, presentment, demand, or further notice of any kind, all of which are hereby expressly waived by the Borrower.

(B) Acceleration; Etc. Upon the occurrence of an Event of Default other than under Section 15(H), upon notice to the Borrower, CoBank may declare the entire unpaid principal

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balance of the Note, all accrued interest thereon, and all other amounts payable under this Agreement and all other agreements between CoBank and the Borrower, to be immediately due and payable. Upon such a declaration, the unpaid principal balance of the Note and all such other amounts shall become immediately due and payable, without protest, presentment, demand, or further notice of any kind, all of which are hereby expressly waived by the Borrower.

(C) Enforcement. Upon the occurrence of an Event of Default, CoBank may proceed to protect, exercise, and enforce such rights and remedies

as may be provided by agreement or under law including, without limitation, the rights and remedies provided for in the Note and any of the other Loan Documents. Each and every one of such rights and remedies shall be cumulative and may be exercised from time to time, and no failure on the part of CoBank to exercise, and no delay in exercising, any right or remedy shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy preclude any other or future exercise thereof, or the exercise of any other right. In addition, CoBank may hold and/or set off and apply against the Borrower's indebtedness any and all cash, accounts, securities, or other property in CoBank's possession or under its control.

(D) Application of Payments. After acceleration of the Loan, all amounts received by CoBank shall be applied to the amounts owing hereunder, under the Note, and the other Loan Documents in whatever order and manner as CoBank shall elect.

(E) Regulatory Approvals. Upon any action by CoBank to commence the exercise of remedies hereunder or under the Mortgage or the Security Agreement, the Borrower hereby undertakes and agrees to cooperate and join with CoBank in any application to the Commission, the FCC or any other regulatory body, administrative agency, court or other forum (any such entity, a "Governmental Authority") with respect thereto and to provide such assistance in connection therewith as CoBank may request, including, without limitation, the preparation of filings and appearances of employees of the Borrower before such Governmental Authority, in each case in support of any such application made by CoBank, and the Borrower shall not, directly or indirectly, oppose any such action by CoBank before any such Governmental Authority.

SECTION 17. Complete Agreement; Amendment. This Agreement, the Note, and the other Loan Documents are intended by the parties to be a complete and final expression of their agreement. No amendment, modification, or waiver of any provision hereof or thereof, nor any consent to any departure of the Borrower herefrom or therefrom, shall be effective unless approved by CoBank and contained in a writing signed by or on behalf of CoBank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 18. Applicable Law. Except to the extent governed by applicable federal law, this Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without reference to choice of law doctrine.

SECTION 19. Notices. All notices hereunder shall be in writing and shall be deemed to be duly given upon delivery, if

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delivered by ' Express Mail,"

overnight courier, messenger or other form of hand delivery or sent by telegram or facsimile transmission, or three (3) days after mailing if sent by certified or registered mail, to the parties at the following addresses (or such other address for a party as shall be specified by like notice):

If to CoBank, as follows: If to the Borrower, as follows:

National Bank for Cooperatives Commonwealth Telephone Company

200 Galleria Parkway 46 Public Square

Suite 1900 Wilkes-Barre, Pennsylvania 18703-3000

Atlanta, Georgia 30339 Attn: Treasurer

Attn: Rural Utility Banking Group Fax No,: (717) 825-1942

Fax No.: (404) 618-3202

SECTION 20. Costs and Expenses. The Borrower shall reimburse CoBank on demand for all reasonable out-of-pocket costs and expenses incurred by CoBank in connection with the origination, negotiation, preparation and administration of this Agreement and all other Loan Documents, and the preservation and enforcement of CoBank's rights and remedies hereunder and thereunder, including, without limitation: (i) costs and expenses (including intangible and other taxes and any recording fees or expenses) incurred by CoBank to obtain, perfect, maintain, determine the priority of, or release any security contemplated hereunder, (ii) fees and expenses of any outside counsel retained by CoBank to assist CoBank with respect to any matter contemplated by this Section or to review this Agreement and all other Loan Documents and advise CoBank as to its rights and remedies hereunder or thereunder; (iii) fees and expenses of any outside counsel retained by CoBank to represent it in any litigation involving the parties hereto, including but not limited to, bankruptcy, receivership, or similar proceedings; and (iv) fees, costs and expenses incurred in connection with obtaining surveys and appraisals, if any, required under this Agreement or any other Loan Document; provided, however, that so long as the Borrower's requests of such counsel are commercially reasonable, the Borrower shall not be obligated to reimburse CoBank for any legal fees incurred by CoBank in connection with the negotiation and preparation of the Loan Documents and the closing of the Loan in excess of $50,000.

SECTION 21. Effectiveness; Severability. This Agreement shall continue in effect until all indebtedness and obligations of the Borrower hereunder and under all other Loan Documents shall have been fully and finally repaid or the Maturity Date, whichever is later. Any provision of the Loan Documents which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or thereof.

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SECTION 22. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Borrower and CoBank and their respective successors and assigns, except that the Borrower may not assign or transfer its rights or obligations hereunder without the prior written consent of CoBank. Without the consent of, but with notice to, the Borrower, CoBank may (i) sell participations to one or more banks or other entities in all or a portion of its rights and obligations under this Agreement, provided, however, that after any such sale of participations, the Borrower shall continue to deal solely and directly with CoBank with respect to this Agreement and the other Loan Documents, or (ii) assign to one or more banks or other entities all or a portion of its rights and obligations under this Agreement.

SECTION 23. Consent to Jurisdiction. To the maximum extent permitted by law, the Borrower agrees that any legal action or proceeding with respect to this Agreement or any of the other Loan Documents may be brought in the courts of the Commonwealth of Pennsylvania or of the United States of America for the Middle District of Pennsylvania, all as CoBank may elect. By execution of this Agreement, the Borrower hereby irrevocably submits to each such jurisdiction, expressly waiving any objection it may have to the laying of venue by reason of its present or future domicile. Nothing contained herein shall affect the right of CoBank to commence legal proceedings or otherwise proceed against the Borrower in any other jurisdiction or to serve process in any manner permitted or required by law.

SECTION 24. Obligations Absolute. The obligation of the Borrower to make all payments required to be made under this Agreement shall be independent of any action by the Commission with respect to rates and/or disallowance of debt.

SECTION 25. Defined Terms. For convenience of reference, set forth below opposite each defined term used in this Agreement is the location in this Agreement of the definition of such term:

Defined Term	Location
Agreement	Introduction Paragraph
Banking Day	Section 3
Borrower	Introductory Paragraph
Business Day	Section 3
Capital Lease	Section 14(A)
CoBank	Introductory Paragraph
Commission	Section 13(I)(6)
Companies	Section 13(I)(1)
Consolidated Basis	Section 13(I)(1)
Default	Section 11(I)
Equity to Total Capital Ratio	Section 13(J)(3)
Event of Default	Section 15
Factual Matters Certificate	Section 11(N)

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Defined Term	Location
FCC	Section 13(I)(6)
Floating Rate	Section 4(A)(1)
Funding Date	Section 3
GAAP	Section 12(H)
Governmental Authority	Section 16(E)
Indebtedness	Section 13(J)(1)
Interest Coverage Ratio	Section (J)(2)
Interest Period	Section 4(A)(2)(a)
Investment	Section 14(E)
Laws	Section 12(E)
LIBOR	Section 4(A)(2)(b)
LIBOR Rate	Section 4(A)(2)(b)
LIBOR Margin	Section 4(A)(2)(b)
Loan	Section 1
Loan Documents	Section 11(A)
Material Adverse Change	Section 11(K)
Maturity Date	Section 5
Mortgage	Section 10
National Variable Rate	Section 4(A)(1)
Note	Section 7
Operating Cash Flow	Section 13(J)(1)
Quoted Rate	Section 4(A)(2)(c)
Payment Date	Section 5
Portion	Section 4(A)(1)
Rating Agency	Section 14(E)
SEC	Section 13(I)(6)
Security Agreement	Section 10
Surcharge	Section 6
Total Leverage Ratio	Section 13(J)(1)
Treasury Margin	Section 4(A)(2)(a)
Treasury Rate	Section 4(A)(2)(a)
U.S. Treasury Rate	Section 4(A)(2)(a)

IN WITNESS WHEREOF, the Borrower has caused this Agreement to be executed, attested, sealed, and delivered and CoBank has caused this Agreement to be executed and delivered, each by its duly authorized officers, as of the date first shown above.

NATIONAL BANK FOR COOPERATIVES	COMMONWEALTH TELEPHONE COMPANY
By:	By: /s/ Michael J. Mahoney
Title:	President

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Attest: /s/ Raymond B. Ostroski

Secretary

(CORPORATE SEAL)

SCHEDULE 1

EXCEPTIONS TO REPRESENTATIONS AND WARRANTIES

AND OTHER MATTERS

Section 11(G) Identification of Real Property to be covered by title insurance:

Section 12(E) "Compliance with Laws":

None

Section 12(F) "Environmental Compliance":

None

Section 12(K) "Employee Benefit Plans":

None

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Schedule 2

To: John Butler

From: Antony Bahr

Subject: Basis Adjustment in Loans

The standard CoBank Treasury-based pricing option allows for a change in a borrower's credit spread if CoBank's funding cost in relation to Treasuries changes significantly. Typically a borrower has a 90 day window to fix an interest rate based on the Treasury option with no spread adjustment. If the borrower elects to fix a Treasury-based rate after the 90 days, then the following adjustment is made.

CoBank's funding cost spread in relation to Treasuries on the day the fixed rate is executed is compared to the comparable funding cost relationship as of the date of the signing of the loan commitment letter. If CoBank's funding spread over Treasuries has increased during this period of time, the spread over Treasuries used to determine the loan interest rate will be increased by a like amount. For instance, if the borrower wanted a five year average life loan priced at Treasuries plus 100 basis points we would compare CoBank's spread over the five year Treasury as of the date the commitment letter was signed versus the CoBank five year funding spread as of the date of the fixed rate desired by the customer. If CoBank was funding at 30 basis points over the five year Treasury for a five year maturity on the date the commitment letter was signed, and this spread widened out to 35 basis points as of the date of the fixed rate loan, then CoBank would increase the borrower's credit spread from 100 to 105 basis points. This process is done to confine CoBank's funding risk in relation to Treasuries to the first 90 days after the commitment letter is executed.

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February 25, 1994 SCHEDULE 3

CoBANK MEMORANDUM

TO: John Butler

(Atlanta)

FROM: Shane Matson

(Corporate Finance - Denver)

SUBJECT: C-TEC PREPAYMENT EXAMPLE:

The attached schedule calculates a hypothetical prepayment penalty for C-TEC Corporation based on their loan agreement. The example represents an initial five year loan after one year has elapsed, if interest rates fall. The penalty amount of $2,023,574 is based on the following assumptions:

Original Loan Amount:	$140,000,000
Loan Disbursement Date:	March 1, 1994
Loan Maturity Date:	March 1, 1999
Original CoBank Cost of Funds:	6.50%
Loan Amount on 03/01/95:	$131,444,444
CoBank Cost of Funds 03/01/95:	6.00%
(Based on Remaining Average Life of Loan)	
Change From Original Cost of Funds:	0.50%
Present Value of Difference (0.50%):	$2,023,574
(Represents CoBank's Funding Loss)	

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The cost of funds, based on the remaining average life, decreased by 50 basis points. This difference would be applied to the scheduled outstanding balances for each period until the end of the fixation. These amounts would be present valued for each period at the cost of funds based on the remaining average life of the loan (6.00% in this case). The summation of the present values for each scheduled period of the fixation will total CoBank's funding loss.

<TABLE>

INPUT PAGE PREPAYMENT MODEL

AMORATION/CASH FLOW SCHEDULE ON PAGE 8

PRESS "CTRL M" FOR MENU

Borrower: C-TEC 5 Year Loan Prepayment Example

STEP 1: ENTER PREPAYMENT CALCULATION PARAMETERS

Calculation Date03/01/95 Prepayment Penalty Amount: $2,023,574

<S> <C> <C> <C>

Loan Amount:	$131,444,444	Original Cost	6.500%
Loan Rate: (B.E.)	7.500%	Current Cost	6.000%
Loan Type:	3 Irregular Principal	Basis Point Adder	0
Day Count Basis:	1 Act/365	Basis Point Difference	50
Payments/Year:	12		
Curr Cost Pricing Index:	1 Cost of Funds	Remaining Loan Maturity	4.00

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Loan Maturity Date: 03/01/99 Remaining Loan Average
Life: 3.44

Current COF (Avg. Life) 6.000%

Principal Pmt. Day of the Mo. 20 Current COF (Compound)
5.926%

Interest Pmt. Lag (Days): 0 Current IRR of Costs
5.926%

First Int. Payment Date: 03/20/95 IRR vs Avg Life COF
-0.000%

First Principal Pmt. Date 03/20/95

Days To Next Period 19 Total Periods Remaining
49

Interest Only Periods: N/A

Use Today's DRS for Current Cost? YES
Discount Rate for

Interest Only End Date: 09/20/93 Recovery
Period(Act/365): 6.000%

(Loan Type 5 Only)

Does Amortization Schedule

Match Input Parameters: YES

</TABLE>

STEP 2: RUN MACRO TO GENERATE AMORTIZATION -

CASH FLOW SCHEDULE - CLICK MENU BUTTON

<TABLE> AMORTIZATION CASH FLOW PAGE

Customer Loan Amortization Schedules: C-TEC 5 Year Loan
Prepayment Example

Prepayment Priority: $2,023,574

Loan Type: Irregular Principal Calculation Date:
03/01/95

<S> <C> <C> <C> <C> <C>
<C> Payment Total Pay

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Number	Date	Amount	Principal	Interest	Balance
0	01-Mar-95	($131,444,444)	($131,444,444)	0	$131,444,444
1	20-Mar-95	$1,290,952	$777,778	$513,174	$130,666,666
2	20-Apr-95	$1,610,107	$777,778	$832,329	$129,888,888
3	20-May-95	$1,578,463	$777,778	$800,685	$129,111,110
4	20-Jun-95	$1,600,198	$777,778	$822,420	$128,333,332
5	20-Jul-95	$1,568,874	$777,778	$791,096	$127,555,554
6	20-Aug-95	$1,590,289	$777,778	$812,511	$126,777,776
7	20-Sep-95	$1,585,335	$777,778	$807,557	$125,999,998
8	20-Oct-95	$1,554,490	$777,778	$776,712	$125,222,220
9	20-Nov-95	$1,575,426	$777,778	$797,648	$124,444,442
10	20-Dec-95	$1,544,901	$777,778	$767,123	$123,666,664
11	20-Jan-96	$1,565,518	$777,778	$787,740	$122,888,886
12	20-Feb-96	$1,560,563	$777,778	$782,785	$122,111,108
13	20-Mar-96	$1,505,426	$777,778	$727,648	$121,333,330
14	20-Apr-96	$1,550,655	$777,778	$772,877	$120,555,552
15	20-May-96	$1,520,929	$777,778	$743,151	$119,777,774
16	20-Jun-96	$1,540,746	$777,778	$762,968	$118,999,996
17	20-Jul-96	$1,511,340	$777,778	$733,562	$118,222,218
18	20-Aug-96	$1,530,837	$777,778	$753,059	$117,444,440
19	20-Sep-96	$1,525,883	$777,778	$748,105	$116,666,662
20	20-Oct-96	$1,496,956	$777,778	$719,178	$115,888,884
21	20-Nov-96	$1,515,974	$777,778	$738,195	$115,111,106
22	20-Dec-96	$1,487,367	$777,778	$709,589	$114,333,328
23	20-Jan-97	$1,506,066	$777,778	$728,288	$113,555,550
24	20-Feb-97	$1,510,111	$777,778	$723,333	$112,777,772
25	20-Mar-97	$1,426,636	$777,778	$648,858	$111,999,994
26	20-Apr-97	$1,491,203	$777,778	$713,425	$111,222,216
27	20-May-97	$1,463,394	$777,778	$685,616	$110,444,438
28	20-Jun-97	$1,481,294	$777,778	$703,516	$109,666,660
29	20-Jul-97	$1,453,805	$777,778	$676,027	

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					$108,888,882
30	20-Aug-97	$1,471,385	$777,778	$693,607	$108,111,104
31	20-Sep-97	$1,466,431	$777,778	$688,653	$107,333,326
32	20-Oct-97	$1,439,422	$777,778	$661,644	$106,555,548
33	20-Nov-97	$1,456,522	$777,778	$678,744	$105,777,770
34	20-Dec-97	$1,429,833	$777,778	$652,055	$104,999,992
35	20-Jan-98	$1,446,614	$777,778	$668,836	$104,222,214
36	20-Feb-98	$1,441,659	$777,778	$663,881	$103,444,436
37	20-Mar-98	$1,372,938	$777,778	$595,160	$102,666,658
38	20-Apr-98	$1,431,751	$777,778	$653,973	$101,888,880
39	20-May-98	$1,405,860	$777,778	$628,082	$101,111,102
40	20-Jun-98	$1,421,842	$777,778	$644,064	$100,333,324
41	20-Jul-98	$1,396,271	$777,778	$618,493	$99,555,546
42	20-Aug-98	$1,411,933	$777,778	$634,155	$98,777,768
43	20-Sep-98	$1,406,979	$777,778	$629,201	$97,999,990
44	20-Oct-98	$1,381,888	$777,778	$604,110	$97,222,212
45	20-Nov-98	$1,397,070	$777,778	$619,292	$96,444,434
46	20-Dec-98	$1,372,298	$777,778	$594,520	$95,666,656
47	20-Jan-99	$1,387,161	$777,778	$609,383	$94,888,878
48	20-Feb-99	$1,382,207	$777,778	$604,429	$94,111,100
49	01-Mar-99	$94,285,141	$94,111,110	$174,041	$0
Totals		$165,339,945	$131,444,444	$33,895,501	

</TABLE>

<TABLE>

AMORITZATION CASH FLOW PAGE

Customer Loan Amortization Schedules: C-TEC 5 Year Loan
Prepayment Example

Prepayment Priority: $2,023,574

Loan Type: Irregular Principa Calculation Date: 03/01/95

<CAPTION> Present Value of Loan Only

Payment Number	Nominal Loss	Nominal Loss (to Calc Date)	Mov Average Life (Yrs)
1	$34,212	$34,107.96	0.0521
2	$55,489	$55,047.43	0.1365

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3	$53,379	$52,701.61	0.2177
4	$54,828	$53,865.00	0.3011
5	$52,740	$51,565.85	0.3814
6	$54,167	$52,700.32	0.4638
7	$53,837	$52,120,40	0.5457
8	$51,781	$49,890.15	0.6245
9	$53,177	$50,981.99	0.7054
10	$51,142	$48,796.71	0.7832
11	$52,516	$49,860.76	0.8629
12	$52,186	$49,302.57	0.9421
13	$48,510	$45,618.17	1.0157
14	$51,525	$48,214.45	1.0939
15	$49,543	$46,138.55	1.1691
16	$50,865	$47,135.07	1.2462
17	$48,904	$45,101.86	1.3205
18	$50,204	$46,072.08	1.3966
19	$49,874	$45,543.03	1.4723
20	$47,945	$43,572.93	1.5451
21	$49,213	$44,504.30	1.6197
22	$47,305	$42,575.24	1.6915
23	$48,553	$43,481.43	1.7654
24	$48,222	$42,972.45	1.8388
25	$43,257	$38,376.06	1.9046
26	$47,562	$41,986.48	1.9770
27	$45,708	$40,157.10	2.0465
28	$46,901	$41,002.08	2.1179
29	$45,068	$39,211.75	2.1864
30	$46,240	$40,032.84	2.2568
31	$45,910	$39,550.67	2.3267
32	$44,110	$37,817.93	2.3938
33	$45,250	$38,603.83	2.4626
34	$43,470	$36,908.67	2.5288
35	$44,589	$37,671.63	2.5966
36	$44,259	$37,207.99	2.6639
37	$39,677	$33,207.65	2.7243
38	$43,596	$36,309.04	2.7907
39	$41,872	$34,704.98	2.8544
40	$42,938	$35,412.37	2.9197
41	$41,233	$33,843.94	2.9824
42	$42,277	$34,529.67	3.0468
43	$41,947	$34,090.78	3.1106
44	$40,274	$32,574.92	3.1719
45	$41,286	$33,228.75	3.2347
46	$39,635	$31,747.19	3.2950

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47	$40,626	$32,380.23	3.3568
48	$40,295	$31,958.42	3.4181
49	$11,603	$9,188.99	3.4358
Totals	$2,259,700	$2,023,574	3.4358

</TABLE>

<TABLE>

<CAPTION>

AMORITZATION CASH FLOW PAGE

Customer Loan Amortization Schedules: C-TEC 15 Year Loan

Assumed Rate: 6.9%

		FROM	TO	YEARS
Loan Type: Irregular Principal	Forward Period	01-Mar-94	01-Mar-94	0.00

<S> <C> <C> <C> <C> <C> <C>

Payment Number	Date	Tot Pay Amount	Principal	Interest	Balance
0	01-Mar-94	($140,000,000)	($140,000,000)	0	$140,000,000
1	20-Apr-94	$2,101,065	$777,778	$1,323,288	$139,222,222
2	20-May-94	$1,567,339	$777,778	$789,562	$138,444,444
3	20-Jun-94	$1,589,100	$777,778	$811,322	$137,666,667
4	20-Jul-94	$1,558,518	$777,778	$780,740	$136,888,889
5	20-Aug-94	$1,579,984	$777,778	$802,206	$136,111,111
6	20-Sep-94	$1,575,426	$777,778	$797,648	$135,333,333
7	20-Oct-94	$1,545,285	$777,778	$767,507	$134,555,556
8	20-Nov-94	$1,566,310	$777,778	$788,532	$133,777,778
9	20-Dec-94	$1,536,463	$777,778	$758,685	$133,000,000
10	01-Jan-95	$1,557,194	$777,778	$779,416	$132,222,222
11	20-Feb-95	$1,552,636	$777,778	$774,858	$131,444,444
12	20-Mar-95	$1,473,533	$777,778	$695,755	$130,666,667
13	20-Apr-95	$1,543,520	$777,778	$765,742	$129,888,889
14	20-May-95	$1,514,408	$777,778	$736,630	$129,111,111
15	20-Jun-95	$1,534,404	$777,778	$756,626	$128,333,333
16	20-Jul-95	$1,505,586	$777,778	$727,808	$127,555,556
17	20-Aug-95	$1,525,288	$777,778	$747,511	$126,777,778
18	20-Sep-95	$1,520,730	$777,778	$742,953	$126,000,000
19	20-Oct-95	$1,492,353	$777,778	$714,575	$125,222,222

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20	20-Nov-95	$1,511,614	$777,778	$733,837	$124,444,444
21	20-Dec-95	$1,483,531	$777,778	$705,753	$123,666,667
22	20-Jan-96	$1,502,498	$777,778	$724,721	$122,888,889
23	20-Feb-96	$1,497,940	$777,778	$720,163	$122,111,111
24	20-Mar-96	$1,447,214	$777,778	$669,437	$121,333,333
25	20-Apr-96	$1,488,824	$777,778	$711,047	$120,555,556
26	20-May-96	$1,451,476	$777,778	$683,699	$119,777,778
27	20-Jun-96	$1,479,708	$777,778	$701,931	$119,000,000
28	20-Jul-96	$1,452,654	$777,778	$674,877	$118,222,222
29	20-Aug-96	$1,470,592	$777,778	$692,815	$117,444,444
30	20-Sep-96	$1,466,034	$777,778	$688,257	$116,666,667
31	20-Oct-96	$1,439,422	$777,778	$661,644	$115,888,889
32	20-Nov-96	$1,456,918	$777,778	$679,141	$115,111,111
33	20-Dec-96	$1,430,600	$777,778	$652,822	$114,333,333
34	20-Jan-97	$1,447,802	$777,778	$670,025	$113,555,555
35	20-Feb-97	$1,443,244	$777,778	$665,467	$112,777,778
36	20-Mar-97	$1,374,728	$777,778	$596,950	$112,000,000
37	20-Apr-97	$1,434,128	$777,778	$656,351	$111,222,222
38	20-May-97	$1,408,545	$777,778	$630,767	$110,444,444
39	20-Jun-97	$1,425,012	$777,778	$647,235	$109,666,667

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AMORITZATION CASH FLOW PAGE

Customer Loan Amortization Schedules: C-TEC 15 Year Loan

Assumed Rate: 6.9%

FROM TO YEARS

Loan Type: Irregular Principal   Forward Period 01-Mar-94

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01-Mar-94 0.00

Payment Number	Date	Tot Pay Amount	Principal	Interest	Balance
40	20-Jul-97	$1,399,723	$777,778	$621,945	$108,888,889
41	20-Aug-97	$1,415,897	$777,778	$638,119	$108,111,111
42	20-Sep-97	$1,411,339	$777,778	$633,561	$107,333,333
43	20-Oct-97	$1,386,490	$777,778	$608,712	$106,555,555
44	20-Nov-97	$1,402,223	$777,778	$624,445	$105,777,778
45	20-Dec-97	$1,377,668	$777,778	$599,890	$105,000,000
46	20-Jan-98	$1,393,107	$777,778	$615,329	$104,222,222
47	20-Feb-98	$1,388,549	$777,778	$610,771	$103,444,444
48	20-Mar-98	$1,325,325	$777,778	$547,547	$102,666,667
49	20-Apr-98	$1,379,433	$777,778	$601,655	$101,888,889
50	20-May-98	$1,355,613	$777,778	$577,836	$101,111,111

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AMORITZATION CASH FLOW PAGE

Customer Loan Amortization Schedules: C-TEC 15 Year Loan

FROM   TO   YEARS

Loan Type: Irregular Principal   Forward Period 01-Mar-94
01-Mar-94   0.00

Payment Number	Forward Funding Cost	Present Value of Fwd. Fund. Cost (to Quote Date)	Loan Only Moving Average Life (Yrs)
<S>	<C>	<C>	<C> <C>
0	0	0	0
1	$0	$0.00	0.1370
2	$0	$0.00	0.2187
3	$0	$0.00	0.3027
4	$0	$0.00	0.3835
5	$0	$0.00	0.4666
6	$0	$0.00	0.5491
7	$0	$0.00	0.6286
8	$0	$0.00	0.7102
9	$0	$0.00	0.7888
10	$0	$0.00	

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			0.8695
11	$0	$0.00	0.9497
12	$0	$0.00	1.0217
13	$0	$0.00	1.1010
14	$0	$0.00	1.1772
15	$0	$0.00	1.2555
16	$0	$0.00	1.3309
17	$0	$0.00	1.4083
18	$0	$0.00	1.4852
19	$0	$0.00	1.5591
20	$0	$0.00	1.6351
21	$0	$0.00	1.7082
22	$0	$0.00	1.7830
23	$0	$0.00	1.8573
24	$0	$0.00	1.9264
25	$0	$0.00	1.9999
26	$0	$0.00	2.0704
27	$0	$0.00	2.1429
28	$0	$0.00	2.2126
29	$0	$0.00	2.2841
30	$0	$0.00	2.3552
31	$0	$0.00	2.4235
32	$0	$0.00	2.4936
33	$0	$0.00	2.5610
34	$0	$0.00	2.6303
35	$0	$0.00	2.6992

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AMORITZATION CASH FLOW PAGE

Customer Loan Amortization Schedules: C-TEC 15 Year Loan

FROM TO YEARS

Loan Type: Irregular Principal Forward Period 01-Mar-94
01-Mar-94 0.00

Payment Number	Forward Funding Cost	Present Value of Fwd. Fund. Cost (to Quote Date)	Loan Only Moving Average Life (Yrs)
<S> <C>	<C>	<C>	<C>
36	$0	$0.00	2.7610
37	$0	$0.00	2.8290
38	$0	$0.00	2.8943
39	$0	$0.00	2.9613
40	$0	$0.00	3.0256
41	$0	$0.00	3.0917
42	$0	$0.00	3.1573
43	$0	$0.00	3.2203
44	$0	$0.00	3.2849
45	$0	$0.00	3.3470
46	$0	$0.00	3.4107
47	$0	$0.00	3.4740
48	$0	$0.00	3.5306
49	$0	$0.00	3.5929
50	$0	$0.00	3.6527

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AMORITZATION CASH FLOW PAGE

Customer Loan Amortization Schedules: C-TEC 15 Year Loan

				FROM	TO	YEARS
Loan Type: Irregular Principal	Forward Period	01-Mar-94		01-Mar-94	0.00	

Payment Number	Date	Total Payment Amount	Principal	Interest	Balance
<S> <C>	<C>	<C>	<C>	<C>	<C>
51	20-Jun-98	$1,370,317	$777,778	$592,539	$100,333,333
52	20-Jul-98	$1,345,791	$777,778	$569,014	$99,555,555
53	20-Aug-98	$1,361,201	$777,778	$583,423	$98,777,778
54	20-Sep-98	$1,356,643	$777,778	$578,865	$98,000,000
55	20-Oct-98	$1,333,559	$777,778	$555,781	$97,222,222
56	20-Nov-98	$1,347,527	$777,778	$569,749	$96,444,444

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57	20-Dec-98	$1,324,737	$777,778	$546,959	$95,666,667
58	20-Jan-99	$1,338,411	$777,778	$560,633	$94,888,889
59	20-Feb-99	$1,333,853	$777,778	$556,075	$94,111,111
60	20-Mar-99	$1,275,922	$777,778	$498,144	$93,333,333
61	20-Apr-99	$1,324,737	$777,778	$546,959	$92,555,555
62	20-May-99	$1,302,682	$777,778	$524,904	$91,777,777
63	20-Jun-99	$1,315,621	$777,778	$537,843	$91,000,000
64	20-Jul-99	$1,293,860	$777,778	$516,082	$90,222,222
65	20-Aug-99	$1,306,505	$777,778	$528,727	$89,444,444
66	20-Sep-99	$1,301,947	$777,778	$524,169	$88,666,667
67	20-Oct-99	$1,280,627	$777,778	$502,849	$87,888,889
68	20-Nov-99	$1,292,831	$777,778	$515,053	$87,111,111
69	20-Dec-99	$1,271,805	$777,778	$494,027	$86,333,333
70	20-Jan-2000	$1,283,715	$777,778	$505,937	$85,555,555
71	20-Feb-2000	$1,279,157	$777,778	$501,379	$84,777,778
72	20-Mar-2000	$1,242,546	$777,778	$464,768	$84,000,000
73	20-Apr-2000	$1,270,041	$777,778	$492,263	$83,222,222
74	20-May-2000	$1,249,750	$777,778	$471,973	$82,444,444
75	20-Jun-2000	$1,260,925	$777,778	$483,147	$81,666,667
76	20-Jul-2000	$1,240,928	$777,778	$463,151	$80,888,889
77	20-Aug-2000	$1,251,809	$777,778	$474,031	$80,111,111
78	20-Sep-2000	$1,247,251	$777,778	$469,473	$79,333,333
79	20-Oct-2000	$1,227,696	$777,778	$449,918	$78,555,555
80	20-Nov-2000	$1,238,135	$777,778	$460,357	$77,777,778
81	20-Dec-2000	$1,218,874	$777,778	$441,096	$77,000,000
82	20-Jan-2001	$1,229,019	$777,778	$451,241	$76,222,222
83	20-Feb-2001	$1,224,461	$777,778	$446,683	$75,444,444
84	20-Mar-2001	$1,177,117	$777,778	$399,339	$74,666,666
85	20-Apr-2001	$1,215,345	$777,778	$437,567	$73,888,889

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AMORITZATION CASH FLOW PAGE

Customer Loan Amortization Schedules: C-TEC 15 Year Loan

		FROM	TO	YEARS
Loan Type: Irregular Principal	Forward Period	01-Mar-94	01-Mar-94	0.00

<S> <C> <C> <C> <C> <C> <C>

Payment Number	Payment Date	Total Amount	Principal	Interest	Balance
86	20-May-2001	$1,196,819	$777,778	$419,041	$73,111,111
87	20-Jun-2001	$1,206,229	$777,778	$428,451	$72,333,333
88	20-Jul-2001	$1,187,997	$777,778	$410,219	$71,555,555
89	20-Aug-2001	$1,197,113	$777,778	$419,335	$70,777,778
90	20-Sep-2001	$1,192,555	$777,778	$414,777	$70,000,000
91	20-Oct-2001	$1,174,764	$777,778	$396,986	$69,222,222
92	20-Nov-2001	$1,183,439	$777,778	$405,661	$68,444,444
93	20-Dec-2001	$1,165,942	$777,778	$388,164	$67,666,666
94	20-Jan-2002	$1,174,323	$777,778	$396,545	$66,888,889
95	20-Feb-2002	$1,169,765	$777,778	$391,987	$66,111,111
96	20-Mar-2002	$1,127,714	$777,778	$349,936	$65,333,333
97	20-Apr-2002	$1,160,649	$777,778	$382,871	$64,555,555
98	20-May-2002	$1,143,887	$777,778	$366,110	$63,777,778
99	20-Jun-2002	$1,151,533	$777,778	$373,755	$63,000,000
100	20-Jul-2002	$1,135,065	$777,778	$357,288	$62,222,222

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101	20-Aug-2002	$1,142,417	$777,778	$364,639	$61,444,444

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Customer Loan Amortization Schedules

		FROM	TO	YEARS
Loan Type: Irregular Principal	Forward Period	01-Mar-94	01-Mar-94	0.00

			Loan Only
	Forward	Present Value of	Moving
Payment	Funding	Fwd. Fund. Cost	Average
Number	Cost	(to Calc Date)	Life (Yrs)
<S> <C>	<C>	<C>	<C>
51	$0	$0.00	3.7141
52	$0	$0.00	3.7730

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53	$0	$0.00	3.8334
54	$0	$0.00	3.8933
55	$0	$0.00	3.9508
56	$0	$0.00	4.0098
57	$0	$0.00	4.0664
58	$0	$0.00	4.1245
59	$0	$0.00	4.1820
60	$0	$0.00	4.2336
61	$0	$0.00	4.2902
62	$0	$0.00	4.3446
63	$0	$0.00	4.4003
64	$0	$0.00	4.4537
65	$0	$0.00	4.5084
66	$0	$0.00	4.5627
67	$0	$0.00	4.6147
68	$0	$0.00	4.6680
69	$0	$0.00	4.7192
70	$0	$0.00	4.7714
71	$0	$0.00	4.8232
72	$0	$0.00	4.8712
73	$0	$0.00	4.9220
74	$0	$0.00	4.9707
75	$0	$0.00	5.0206
76	$0	$0.00	5.0684
77	$0	$0.00	5.1173
78	$0	$0.00	5.1658
79	$0	$0.00	5.2122
80	$0	$0.00	5.2598
81	$0	$0.00	5.3053
82	$0	$0.00	5.3520
83	$0	$0.00	

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			5.3983
84	$0	$0.00	5.4396
85	$0	$0.00	5.4849

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Customer Loan Amortization Schedules

		FROM	TO	YEARS
Loan Type: Irregular Principal	Forward Period	01-Mar-94	01-Mar-94	0.00

Payment Number	Forward Funding Cost	Present Value of Fwd. Fund. Cost (to Calc Date)	Loan Only Moving Average Life (Yrs)
<S> <C>	<C>	<C>	<C>
86	$0	$0.00	5.5283
87	$0	$0.00	5.5726
88	$0	$0.00	5.6151
89	$0	$0.00	5.6585
90	$0	$0.00	5.7014
91	$0	$0.00	5.7425
92	$0	$0.00	5.7845
93	$0	$0.00	5.8247
94	$0	$0.00	5.8658
95	$0	$0.00	5.9063

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96	$0	$0.00	5.9426
97	$0	$0.00	5.9822
98	$0	$0.00	6.0201
99	$0	$0.00	6.0588
100	$0	$0.00	6.0958
101	40	$0.00	6.1335

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AMORITZATION CASH FLOW PAGE

Customer Loan Amortization Schedules: C-TEC 15 Year Loan

	FROM	TO	YEARS
Loan Type: Irregular Principal Forward Period	01-Mar-94	01-Mar-94	0.00

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Payment Number	Date	Total Payment Amount	Principal	Interest	Balance
102	20-Sep-2002	$1,137,859	$777,778	$360,081	$60,666,666
103	20-Oct-2002	$1,121,833	$777,778	$344,055	$59,888,889
104	20-Nov-2002	$1,128,743	$777,778	$350,965	$59,111,111
105	20-Dec-2002	$1,113,011	$777,778	$335,233	$58,333,333
106	20-Jan-2003	$1,119,627	$777,778	$341,849	$57,555,555
107	20-Feb-2003	$1,115,069	$777,778	$337,291	$56,777,778
108	20-Mar-2003	$1,078,311	$777,778	$300,533	$56,000,000
109	20-Apr-2003	$1,105,953	$777,778	$328,175	$55,222,222
110	20-May-2003	$1,190,956	$777,778	$313,178	$54,444,444
111	20-Jun-2003	$1,096,837	$777,778	$319,059	$53,666,666
112	20-Jul-2003	$1,082,134	$777,778	$304,356	$52,888,889
113	20-Aug-2003	$1,087,721	$777,778	$309,943	$52,111,111
114	20-Sep-2003	$1,083,163	$777,778	$305,385	$51,333,333
115	20-Oct-2003	$1,068,901	$777,778	$291,123	$50,555,555
116	20-Nov-2003	$1,074,047	$777,778	$296,269	$49,777,778
117	20-Dec-2003	$1,060,079	$777,778	$282,301	$49,000,000
118	20-Jan-2004	$1,064,931	$777,778	$287,153	$48,222,222
119	20-Feb-2004	$1,060,373	$777,778	$282,595	$47,444,444
120	20-Mar-2004	$1,037,877	$777,778	$260,100	$46,666,666
121	20-Apr-2004	$1,051,257	$777,778	$273,479	$45,888,889
122	20-May-2004	$1,038,024	$777,778	$260,247	$45,111,111
123	20-Jun-2004	$1,042,141	$777,778	$264,363	$44,333,333
124	20-Jul-2004	$1,029,202	$777,778	$251,425	$43,555,555
125	20-Aug-2004	$1,033,025	$777,778	$255,247	$42,777,778
126	20-Sep-2004	$1,028,467	$777,778	$250,689	$42,000,000
127	20-Oct-2004	$1,015,970	$777,778	$238,192	$41,222,222
128	20-Nov-2004	$1,019,351	$777,778	$241,574	$40,444,444
129	20-Dec-2004	$1,007,148	$777,778	$229,370	$39,666,666
130	20-Jan-2005	$1,010,235	$777,778	$232,458	$38,888,889
131	20-Feb-2005	$1,005,677	$777,778	$227,900	$38,111,111
132	20-Mar-2005	$979,506	$777,778		

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				$201,728	$37,333,333
133	20-Apr-2005	$996,561	$777,778	$218,784	$36,555,555
134	20-May-2005	$985,093	$777,778	$207,315	$35,777,777
135	20-Jun-2005	$987,445	$777,778	$209,668	$35,000,000
136	20-Jul-2005	$976,271	$777,778	$198,493	$34,222,222
137	20-Aug-2005	$978,329	$777,778	$200,552	$33,444,444
138	20-Sep-2005	$973,771	$777,778	$195,994	$32,666,666
139	20-Oct-2005	$963,038	$777,778	$185,260	$31,888,889

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AMORITZATION CASH FLOW PAGE

Customer Loan Amortization Schedules: C-TEC 15 Year Loan

FROM TO YEARS

Loan Type: Irregular Principal Forward Period 01-Mar-94 01-Mar-94 0.00

<S> <C> <C> <C> <C> <C> <C>

Payment Number	Date	Total Payment Amount	Principal	Interest	Balance
140	20-Nov-2005	$964,655	$777,778	$186,876	$31,111,111
141	20-Dec-2005	$954,216	$777,778	$176,438	$30,333,333
142	20-Jan-2006	$955,539	$777,778	$177,762	$29,555,555
143	20-Feb-2006	$950,981	$777,778	$173,204	$28,777,777
144	20-Mar-2006	$930,103	$777,778	$152,325	$28,000,000
145	20-Apr-2006	$941,865	$777,778	$164,088	$27,222,222
146	20-May-2006	$932,161	$777,778	$154,384	$26,444,444
147	20-Jun-2006	$932,749	$777,778	$154,972	$25,666,666
148	20-Jul-2006	$923,339	$777,778	$145,562	

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$24,888,889

					$24,888,889
149	20-Aug-2006	$923,633	$777,778	$145,856	$24,111,111
150	20-Sep-2006	$919,075	$777,778	$141,298	$23,333,333
151	20-Oct-2006	$910,107	$777,778	$132,329	$22,555,555
152	20-Nov-2006	$909,960	$777,778	$132,182	$21,777,777

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AMORITZATION CASH FLOW PAGE

Customer Loan Amortization Schedules: C-TEC 15 Year Loan

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FROM TO YEARS

Loan Type: Irregular Principal   Forward Period 01-Mar-94
01-Mar-94   0.00

Payment Number	Forward Funding Cost	Present Value of Fwd. Fund. Cost (to Calc Date)	Loan Only Moving Average Life (Yrs)
<S>	<C>	<C>	<C>
102	$0	$0.00	6.1708
103	$0	$0.00	6.2064
104	$0	$0.00	6.2428
105	$0	$0.00	6.2775
106	$0	$0.00	6.3128
107	$0	$0.00	6.3478
108	$0	$0.00	6.3789
109	$0	$0.00	6.4128
110	$0	$0.00	6.4453
111	$0	$0.00	6.4783
112	$0	$0.00	6.5098
113	$0	$0.00	6.5419
114	$0	$0.00	6.5735
115	$0	$0.00	6.6036
116	$0	$0.00	6.6343
117	$0	$0.00	6.6635
118	$0	$0.00	6.6932
119	$0	$0.00	6.7224
120	$0	$0.00	6.7492
121	$0	$0.00	6.7774
122	$0	$0.00	6.8043
123	$0	$0.00	6.8316
124	$0	$0.00	6.8576

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125	$0	$0.00	6.8839
126	$0	$0.00	6.9098
127	$0	$0.00	6.9344
128	$0	$0.00	6.9593
129	$0	$0.00	7.9830
130	$0	$0.00	7.0071
131	$0	$0.00	7.0306
132	$0	$0.00	7.0515
133	$0	$0.00	7.0742
134	$0	$0.00	7.0956
135	$0	$0.00	7.1173

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AMORITZATION CASH FLOW PAGE

Customer Loan Amortization Schedules: C-TEC 15 Year Loan

		FROM	TO	YEARS
Loan Type: Irregular Principal	Forward Period	01-Mar-94	01-Mar-94	0.00

Payment Number	Forward Funding Cost	Present Value of Fwd. Fund. Cost (to Calc Date)	Loan Only Moving Average Life (Yrs)
<S>	<C>	<C>	<C>
136	$0	$0.00	7.1379
137	$0	$0.00	7.1587
138	$0	$0.00	7.1789

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139	$0	$0.00
7.1981		
140	$0	$0.00
7.2175		
141	$0	$0.00
7.2357		
142	$0	$0.00
7.2541		
143	$0	$0.00
7.2721		
144	$0	$0.00
7.2878		
145	$0	$0.00
7.3048		
146	$0	$0.00
7.3208		
147	$0	$0.00
7.3368		
148	$0	$0.00
7.3519		
149	$0	$0.00
7.3670		
150	$0	$0.00
7.3816		
151	$0	$0.00
7.3953		
152	$0	$0.00
7.4090		

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<TABLE>

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AMORITZATION CASH FLOW PAGE

Customer Loan Amortization Schedules: C-TEC 15 Year Loan

		FROM	TO	YEARS
Loan Type: Irregular Principal	Forward Period	01-Mar-94	01-Mar-94	0.00

Payment Number	Payment Date	Total Amount	Principal	Interest	Balance
<S><C>	<C>	<C>	<C>	<C>	<C>
153	20-Dec-2006	$901,285	$777,778	$123,507	$21,000,000
154	20-Jan-2007	$900,844	$777,778	$123,066	$20,222,222
155	20-Feb-2007	$896,286	$777,778	$116,506	$19,444,444
156	20-Mar-2007	$880,700	$777,778	$102,922	$18,666,666
157	20-Apr-2007	$887,170	$777,778	$109,392	$17,888,889
158	20-May-2007	$879,230	$777,778	$101,452	$17,111,111
159	20-Jun-2007	$878,054	$777,778	$100,276	$16,333,333
160	20-Jul-2007	$870,408	$777,778	$92,630	$15,555,555
161	20-Aug-2007	$868,938	$777,778	$91,160	$14,777,777
162	20-Sep-2007	$864,380	$777,778	$86,602	$14,000,000
163	20-Oct-2007	$857,175	$777,778	$79,397	$13,222,222
164	20-Nov-2007	$855,264	$777,778	$77,486	$12,444,444
165	20-Dec-2007	$848,353	$777,778	$70,575	$11,666,666
166	20-Jan-2008	$846,148	$777,778	$66,370	$10,888,889
167	20-Feb-2008	$841,590	$777,778	$63,812	$10,111,111
168	20-Mar-2008	$833,209	$777,778	$55,431	$9,333,333
169	20-Apr-2008	$832,474	$777,778	$54,696	$8,555,555
170	20-May-2008	$826,298	$777,778	$48,521	$7,777,777
171	20-Jun-2008	$823,358	$777,778	$45,580	$7,000,000
172	20-Jul-2008	$817,476	$777,778	$39,699	$6,222,222
173	20-Aug-2008	$814,242	$777,778	$36,464	$5,444,444

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174	20-Sep-2008	$809,684	$777,778	$31,906	$6,666,666
175	20-Oct-2008	$804,244	$777,778	$26,466	$3,888,889
176	20-Nov-2008	$800,568	$777,778	$22,790	$3,111,111
177	20-Dec-2008	$795,422	$777,778	$17,644	$2,333,333
178	20-Jan-2009	$791,452	$777,778	$13,674	$1,555,555
179	20-Feb-2009	$786,894	$777,778	$9,116	$777,777
180	20-Mar-2009	$781,895	$777,778	$4,117	($0)
Totals		$213,432,909	$140,000,000	$73,432,908	

</TABLE>

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AMORITZATION CASH FLOW PAGE

Customer Loan Amortization Schedules: C-TEC 15 Year Loan

		FROM	TO	YEARS
Loan Type: Irregular Principal	Forward Period	01-Mar-94	01-Mar-94	0.00

<S><C> <C> <C> <C>

Payment Number	Forward Funding Cost	Present Value of Fwd. Fund. Cost (to Calc Date)	Loan Only Moving Average Life (Yrs)
153	$0	$0.00	7.4218
154	$0	$0.00	7.4345

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155	$0	$0.00	7.4468
156	$0	$0.00	7.4575
157	$0	$0.00	7.4688
158	$0	$0.00	7.4793
159	$0	$0.00	7.4897
160	$0	$0.00	7.4993
161	$0	$0.00	7.5087
162	$0	$0.00	7.5177
163	$0	$0.00	7.5259
164	$0	$0.00	7.5339
165	$0	$0.00	7.5412
166	$0	$0.00	7.5483
167	$0	$0.00	7.5549
168	$0	$0.00	7.5606
169	$0	$0.00	7.5662
170	$0	$0.00	7.5712
171	$0	$0.00	7.5759
172	$0	$0.00	7.5800
173	$0	$0.00	7.5838
174	$0	$0.00	7.5871
175	$0	$0.00	7.5898
176	$0	$0.00	7.5922
177	$0	$0.00	7.5940
178	$0	$0.00	7.5954
179	$0	$0.00	7.5964
180	$0	$0.00	7.5968
Totals	$0	$0.00	7.5968

</TABLE>

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Exhibit A

LOAN CERTIFICATE LOAN NO. T0268

THIS CERTIFICATE is given by Michael J. Mahoney, President of COMMONWEALTH TELEPHONE COMPANY (the "Borrower"), pursuant to Section 11(M) of that certain Loan Agreement, dated as of March 29, 1994, by and between the National Bank for Cooperatives and the Borrower (the 'Loan Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Loan Agreement.

I hereby certify as follows:

1. I am the President of the Borrower and as such possess the knowledge and authority to certify to the matters herein set forth, and the matters herein set forth are true and accurate to the best of my present knowledge, information and belief after due inquiry;

2. The representations and warranties of the Borrower contained in the Loan Agreement and any other Loan Document are true and correct in all material respects on and as of the date hereof; and

3. Each of the conditions specified in Section 11 of the Loan Agreement required to be satisfied on or prior to the date of the making of the Loan under the Loan Agreement has been fulfilled as of the date hereof.

IN WITNESS WHEREOF, I have executed this Certificate as of March 29, 1994.

/s/ Michael J. Mahoney

____

Michael J. Mahoney, President

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EXHIBIT B

FACTUAL MATTERS CERTIFICATE - LOAN NO. T0268

This CERTIFICATE is given by Michael J. Mahoney, the President of COMMONWEALTH TELEPHONE COMPANY ("Commonwealth"), pursuant to Section ll(N) of that certain Loan Agreement, dated as of March 29, 1994, by and between the National Bank for Cooperatives ("CoBank") and Commonwealth (the "Loan Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Loan Agreement.

I hereby certify that as of the date of this Certificate.

1. I am the President of Commonwealth and as such I (i) am familiar with the Loan Agreement and all other Loan Documents and (ii) possess the authority to certify to the matters herein set forth, and the matters herein set forth are true and accurate to the best of my present knowledge, information and belief after due inquiry.

2. Commonwealth does not own or lease any real property, maintain any office or transact any business outside of the Commonwealth of Pennsylvania or in any county in Pennsylvania other than Berks, Bradford, Bucks, Chester, Columbia, Dauphin, Lackawanna, Lancaster, Lehigh, Luzerne, Lycoming, Monroe, Northampton, Schuylkill, Sullivan, Susquehanna, Tioga, York and Wyoming Counties.

3. Attached hereto as Annex A are copies of all orders, writs, judgments, injunctions or decrees of any court, arbitrator or governmental agency or body, (i) the terms of which could be violated by the execution, delivery and performance of, or (ii) which could in any way affect or purport to affect the validity and binding effect of, or the ability of Commonwealth to perform its obligations under, the Loan Documents.

4. Attached hereto as Annex B is a list of all actions, suits, proceedings, inquiries or investigations, at law or in equity, before or by any court, arbitrator or governmental agency or body against or affecting Commonwealth (and are any such actions, suits, proceedings, inquiries or investigations threatened or for which there is any reasonable basis), (i) which could enjoin, restrain or prohibit or obtain damages in respect of the execution, delivery and performance of the Loan Documents or (ii) which could in any way affect or purport to affect the validity and binding effect of Commonwealth's obligations under the Loan Documents or the ability of Commonwealth to perform its obligations thereunder.

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5. Attached hereto as Annex C is a list of all indentures, loan or credit agreements, leases, mortgages, security agreements, bonds, notes, obligations and other contracts, agreements or instruments to which Commonwealth is a party, or by which it or any of its property is bound or which could in any way affect or purport to affect the validity and binding effect of the obligations under the Loan Documents or the ability of Commonwealth to perform its obligations thereunder.

6. Attached hereto as Annex D is a true, correct and complete copy of the [Securities Certificate] (the "Application) filed by Commonwealth with the Pennsylvania Public Utilities Commission (the "Commission") on February l, 1994, together with true, correct and complete copies of all supporting documentation and correspondence filed with or otherwise supplied to the Commission or its staff in connection with the Application.

7. Attached hereto an Annex E is a true, correct and complete copy of the [Order] dated February 28, l994 (the "Order"), from the Commission.

8. Except as set forth on the reports of the searches of UCC filings with the Secretary of the Commonwealth and the Prothonotary of Luzerne County attached hereto as Annex F, there exists no lien, security interest, security title, pledge, charge or other encumbrance of any kind on any of the real or tangible or intangible personal property of Commonwealth. Other than the financing statements designated as file numbers ____ and ____ on Annex F describes or relates to any lien other than a Capital Lease.

9. The authorized capital stock of Commonwealth consists of 184,222 shares of Series Preferred Stock $100 par value, of which 2,922 shares are issued and outstanding as shown on Annex G, and 2,000,000 shares of common stock $6.662/3 par value, of which 1,267,629 shares are issued and outstanding. All of the issued and outstanding shares of capital stock of Commonwealth have been duly authorized and validly issued, are fully paid and non-assessable, and there are no outstanding options, warrants, rights, calls, commitments, conversion rights, plans or other agreements providing for the purchase or issuance of any authorized but unissued shares of capital stock of Commonwealth. None of the issued and outstanding shares of capital stock of Commonwealth were issued in violation of preemptive rights.

IN WlTNESS WHEREOF, I have executed this Certificate as of March 29, 1994, for the purpose of inducing CoBank to make the Loan and with the understanding that CoBank has relied on the truth and accuracy of the statements made herein.

/s/ Michael J. Mahoney

____

Michael J. Mahoney, President

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Annex A

None

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Annex B

None

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Annex C

None

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Annex D

Public Utilities Commission

Application, attached hereto

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Annex E

Public Utilities Order, attached hereto

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Annex F

UCC Filings

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Annex G

Commonwealth Telephone Company

Preferred Stockholders

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COMMONWEALTH TELEPHONE COMPANY

Preferred Stock

Preferred
Number of
Series Shares

<S> <C>
<C>

1. FRIEND & CO. C 120

The First National Bank of Chicago E 75

c/o Trust Department 10-71474

Suite 0114

One First National Plaza

Chicago, IL 60670

2. BLOOM AND COMPANY C 240

The First National Bank of Chicago E 150

c/o Trust Department 10-71474

Suite 0114

One First National Plaza

Chicago, IL 60670

3. SERVE & CO. E 75

The First National Bank of Chicago

c/o Trust Department 10-71474

Suite 0114

One First National Plaza

Chicago, IL 60670

4. HAMAC & CO. C 960

c/o Crestar Bank E 525

Box 26246 F 777

Richmond, VA 23260

</TABLE>

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EXHIBIT C

COMPLIANCE CERTIFICATE - LOAN NO. T0268

This Certificate is given by Michael J. Mahoney, the President of COMMONWEALTH TELEPHONE COMPANY (the "Borrower"), pursuant to Section 13(I)(8) of that certain Loan Agreement, dated as of March 29, 1994, by and between the National Bank for Cooperatives ("CoBank") and the Borrower (the "Loan Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Loan Agreement.

I hereby certify as follows:

l . I am the President of the Borrower, respectively, and as such possesses

the knowledge and authority to certify to the best of my knowledge the matters set forth in this Certificate, and the matters herein set forth are true and accurate to the best of my present knowledge, information and belief after due inquiry;

2. Attached hereto as Annex A are the unaudited annual financial statements of the Companies, for the fiscal year ended December 3l, 1994, as required by Section l3(I) [(l)/(2)] of the Loan Agreement. Such financial statements were prepared in accordance with GAAP consistently applied (except as may be noted therein) and any system of accounts to which the Borrower is subject and fairly present the financial condition of the Borrower, during the periods covered thereby and as of the dates thereof (subject, if applicable, to normal year-end adjustments);

3. As of the date of such financial statements, the Borrower is in material compliance with the covenants set forth in Sections l3(I)(l), 13(I)(2) and l3(I)(3) of the Loan Agreement. Attached hereto as Annex B are calculations which demonstrate the compliance by the Borrower with such covenants; and

4. I have reviewed the activities and consulted with appropriate officers of the Borrower during the fiscal year ended December 31, l994, and reviewed the Loan Documents. As of the date of this Certificate, there exists no material condition, event or act which would constitute a Default or Event of Default under the Loan Agreement, except as disclosed on Annex C hereto.

IN WITNESS WHEREOF, I have executed this Certificate as of March 29, 1994.

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/s/ Michael J. Mahoney

____

Michael J. Mahoney, President

<TABLE>

<CAPTION>

COMMONWEALTH TELEPHONE COMPANY

FINANCIAL RESULTS

EBIDAT

12/31/93

CURRENT MONTH

<S>	ACTUAL <C>	BUDGET <C>	VARIANCE <C>	% <C>
OPERATING REVENUES				
LOCAL NETWORK SERVICES	2,022,332	1,991,000	31,332	2%
NETWORK ACCESS SERVICES	5,616,667	5,376,000	240,667	4%
LONG DISTANCE NETWORK SVCS	2,323,409	2,136,000	187,409	9%
MISCELLANEOUS	390,954	498,000	(107,046)	- - -21%
UNCOLLECTIBLE	(48,998)	(48,000)	(998)	2%
NONREGULATED	643,957	667,000	(23,043)	- - -3%
TOTAL OPERATING REVENUES	10,948,321	10,620,000	328,321	3%
EBIDAT EXPENSES	4,705,745	4,613,000	92,745	2%
EBIDAT	6,242,576	6,007,000	235,576	4%
OTHER INCOME (EXPENSE)	(55,553)	132,000	(187,553)	-142%
ALLOCATED MANAGEMENT FEES	683,942	904,000	(220,058)	- - -24%
INTEREST EXPENSE	889,837	837,000	52,837	6%
DEPRECIATION	2,000,512	2,217,000	(216,488)	-10%

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INCOME TAXES	1,564,482	795,000	769,482	97%
NET INCOME BEF CUM EFFECT	1,048,250	1,386,000	(337,750) - -	-24%
CUM EFF OF CHG IN ACCTG PRINC	(77,028)	0	(77,028)	
NET INCOME	971,222	1,386,000	(414,778)	-30%
PREFERRED DIVIDENDS	1,278	2,000	(722)	-36%
NET INC AVAIL FOR COMMON	969,944	1,384,000	414,056	-30%

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COMMONWEALTH TELEPHONE COMPANY

FINANCIAL RESULTS

EBIDAT

12/31/93

YEAR TO DATE

<S>	ACTUAL <C>	BUDGET <C>	VARIANCE <C>	% <C>
OPERATING REVENUES				
LOCAL NETWORK SERVICES	23,723,841	23,425,000	298,841	1%
NETWORK ACCESS SERVICES	66,132,239	64,941,000	1,191,239	2%
LONG DISTANCE NETWORK SVCS	25,742,095	26,583,000	(840,905)	-3%
MISCELLANEOUS	5,124,530	5,340,000	(215,470)	-4%
UNCOLLECTIBLE	(653,459)	(587,000)	(66,459)	11%
NONREGULATED	7,857,344	7,879,000	(21,656)	-0%

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TOTAL OPERATING REVENUES	127,926,590	127,581,000	345,590	0%
EBIDAT EXPENSES	6,574,117	59,219,000	(2,644,883)	-4%
EBIDAT	71,352,473	68,362,000	2,990,473	4%
OTHER INCOME (EXPENSE)	844,039	1,155,000	(310,961)	-27%
ALLOCATED MANAGEMENT FEES	10,004,945	9,928,000	76,945	1%
INTEREST EXPENSE	8,702,911	8,871,000	(168,089)	-2%
DEPRECIATION	22,977,830	25,807,000	(2,829,170)	-11%
INCOME TAXES	12,528,631	9,004,000	3,484,631	39%
NET INCOME BEF CUM EFFECT	17,982,195	15,867,000	2,115,195)	-13%
CUM EFF OF CHG IN ACCTG PRINC1	(1,362,815)	0	(1,362,815)	
NET INCOME	16,619,380	15,867,000	752,380	5%
PREFERRED DIVIDENDS	15,751	18,000	(2,249)	-12%
NET INC AVAIL FOR COMMON	16,603,629	15,849,000	754,629	5%

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COMMONWEALTH TELEPHONE COMPANY

FINANCIAL RESULTS

EBIDAT

12/31/93

	THIS YEAR TO DATE	SAME PERIOD LAST YEAR	VARIANCE	%
<S>	<C>	<C>	<C>	<C>
OPERATING REVENUES				
LOCAL NETWORK SERVICES	2,022,332	1,898,228	124,104	7%
NETWORK ACCESS SERVICES	5,616,667	5,332,068	284,599	7%
LONG DISTANCE NETWORK SVCS	2,323,409	2,173,708	149,701	7%
MISCELLANEOUS	390,954	476,806	(85,852)	-18%
UNCOLLECTIBLE	(48,998)	(51,781)	2,783	-5%
NONREGULATED	643,957	336,599	307,358	91%
TOTAL OPERATING REVENUES	10,948,321	10,165,628	782,693	8%
EBIDAT EXPENSES	4,705,745	4,866,555	(160,810)	-3%
EBIDAT	6,242,576	5,299,073	943,503	18%
OTHER INCOME (EXPENSE)	(55,553)	(47,126)	(8,427)	18%
ALLOCATED MANAGEMENT FEES	683,942	1,001,076	(317,134)	-32%
INTEREST EXPENSE	889,837	682,751	207,086	30%
DEPRECIATION	2,000,512	1,798,122	203,390	11%
INCOME TAXES	1,664,482	422,856	1,141,626	270%
NET INCOME BEF CUM EFFECT	1,048,250	1,347,142	(298,892)	-22%

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CUM EFF OF CHG IN ACCTG PRINC	(77,028)	0	(77,028)	
NET INCOME	917,222	1,347,142	(375,920)	-28%
PREFERRED DIVIDENDS	1,278	1,358	(80)	-6%
NET INC AVAIL FOR COMMON	969,944	1,345,784	(375,840)	-28%

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COMMONWEALTH TELEPHONE COMPANY

FINANCIAL RESULTS

EBIDAT

12/31/93

	THIS YEAR TO DATE	SAME PERIOD LAST YEAR	VARIANCE	%
<S>	<C>	<C>	<C>	<C>
OPERATING REVENUES				
LOCAL NETWORK SERVICES	23,723,841	22,501,173	1,222,668	5%
NETWORK ACCESS SERVICES	66,132,239	64,523,898	1,608,341	2%
LONG DISTANCE NETWORK SVCS	25,742,095	24,811,810	930,285	4%
MISCELLANEOUS	5,124,530	5,461,573	(337,043)	-6%
UNCOLLECTIBLE	(653,459)	(608,413)	(45,046)	7%
NONREGULATED	7,857,344	8,227,386	370,042	-4%
TOTAL OPERATING REVENUES	127,926,690	124,917,427	3,009,163	2%

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EBIDAT EXPENSES	56,574,117	53,722,634	2,851,483	-5%
EBIDAT	71,352,473	71,194,793	157,680	0%
OTHER INCOME (EXPENSE)	844,039	918,899	74,860	-8%
ALLOCATED MANAGEMENT FEES	10,004,945	11,871,043	(1,666,098)	-16%
INTEREST EXPENSE	8,702,911	8,387,384	315,527	4%
DEPRECIATION	2,977,830	20,749,696	2,228,134	11%
INCOME TAXES	12,528,631	11,455,451	1,073,216	9%
NET INCOME BEF CUM EFFECT	17,982,195	19,650,154	(1,667,959)	-8%
CUM EF OF CHG IN ACCT PRINC	(1,362,815)	0	(1,362,815)	
NET INCOME	16,619,380	19,650,154	(3,030,774)	-15%
PREFERRED DIVIDENDS	15,751	16,716	(965)	-6%
NET INC AVAIL FOR COMMON	16,603,629	19,633,438	(3,029,809)	-15%

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COMMONWEALTH TELEPHONE COMPANY

FINANCIAL RESULTS

EBIDAT

12/31/93

	TWELVE MONTHS TO DATE
<S>	<C>
OPERATING REVENUES	
LOCAL NETWORK SERVICES	23,723,841
NETWORK ACCESS SERVICES	66,132,239
LONG DISTANCE NETWORK SVCS	25,742,095
MISCELLANEOUS	5,124,530
UNCOLLECTIBLE	(653,459)
NONREGULATED	7,857,344
TOTAL OPERATING REVENUES	127,926,690
EBIDAT EXPENSES	56,574,117
EBIDAT	71,352,473
OTHER INCOME (EXPENSE)	844,039
ALLOCATED MANAGEMENT FEES	10,004,945
INTEREST EXPENSE	8,702,911
DEPRECIATION	22,977,830
INCOME TAXES	12,528,631
NET INCOME BEF CUM EFFECT	17,982,195

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CUM EFF OF CHG IN ACCTG PRINC (1,362,815)

NET INCOME 16,619,380

PREFERRED DIVIDENDS 15,751

NET INC AVAIL FOR COMMON 16,603,629

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BALANCE SHEET

REPORT 00201 FOR 12/31/93

AMOUNT END

OF MONTH LAST MONTH LAST DEC.31

<S> <C> <C>
<C>

CURRENT ASSETS

CASH & EQUIVALENTS

CASH 1,935,317- 289,717 34,258

WORKING CASH ADVANCES 10,765 12,834 17,608

TEMPORARY CASH INVESTMENTS 41,762,628 39,285,433 45,150,623

TOTAL CASH & EQUIVALENTS
39,838,076 39,587,984 45,202,489

RECEIVABLES

TELECOM. ACCTS. REC. 12,813,154 12,190,308 12,516,097 ACCTS.
REC. FROM AFFIL COS. 2,268,360 2,749,190 2,154,836 OTHER ACCTS.
RECEIVABLE 6,832,467 11,094,897 8,799,559 NOTES RECEIVABLE 0 0 0

INTEREST & DIVIDENDS RECEIVABLE 141,594 117,361 134,822

TOTAL RECEIVABLES 22,055,575 26,151,756 23,605,314

INVENTORIES 1,646,219 1,697,567 2,511,648

PREPAYMENTS

PREPAID TAXES 0 255,658 0

PREPAID INSURANCE 140,373 163,033 113,027 PREPAID DIRECTORY
EXPENSES 0 0 0 OTHER PREPAYMENTS 254,458 294,785 104,671
TOTAL PREPAYMENTS 394,831 683,476 217,698

OTHER CURRENT ASSETS 81,501 62,805
0

TOTAL CURRENT ASSETS 64,016,202 68,183,588
71,537,149

NONCURRENT ASSETS

INVESTMENT IN AFFIL. COS. 0 0
0 OTHER NONCURRENT ASSETS 11,672,687
11,796,688 9,459,259

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DEFERRED CHARGES			
REGULATORY DEFERRED CHARGE	1,494,150	0	0
DEFERRED MAIN. & RETIREMENTS	0	0	0
OTHER DEFERRED CHARGES	525,731	693,106	1,053,767
TOTAL DEFERRED CHARGES	2,019,881	693,106	1,053,767
TOTAL NONCURRENT ASSETS	13,692,568	12,489,794	10,513,026
PROPERTY, PLANT & EQUIPMENT			
TELECOMM. PLANT IN SERVICE	379,727,795	377,845,129	356,162,112
PROPERTY HELD FOR FUTURE USE	774,095	489,144	504,104
TELECOMM. PLANT UNDER CONSTRUCT	1,950,180	5,938,545	6,119,484
TELECOMM. PLANT ACQUISITION ADJ.	1,298,664	1,307,9735	1,410,373
TOTAL TELECOMM. PLANT	383,750,734	385,580,791	364,196,073
ACCUM. DEPR. & AMORT.	163,234,248-	162,567,998-	156,967,118-
NET TELECOMMUNICATIONS PLANT	220,516,486	223,012,793	207,228,955
NONOPERATING PLANT, NET	1,583,285	265,054	265,098
TOTAL PROPERTY, PLANT & EQT.	222,099,771	223,277,847	207,494,053
TOTAL ASSETS	299,808,541	303,951,228	289,544,227

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BALANCE SHEET

TOTAL

REPORT 00201   FOR12/31/93

<S>	AMOUNT END OF MONTH <C>	LAST MONTH <C>	LAST DEC. 31 <C>
CURRENT LIABILITIES			
ACCOUNTS PAYABLE TO AFFIL COS.	2,857,192	4,709,234	3,133,747
OTHER ACCOUNTS PAYABLE	6,971,938	11,300,378	11,237,221
NOTES PAYABLE CTEC	0	0	0
ADVANCE BILLINGS & PAYMENTS	759,745	799,762	

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			730,329
CUSTOMER DEPOSITS	269,707	273,469	307,484
CURRENT MATURITIES	4,487,256	4,475,018	4,030,914
ACCRUED TAXES	628,144	1,503,757	167,107
CURRENT DEFERRED INCOME TAXES	10,507	55,244	150,923-
ACCRUED INTEREST	616,372	184,122	346,092
OTHER ACCRUED LIABILITIES	4,361,611	3,504,087	3,808,615
OTHER CURRENT LIABILITIES	0	0	0
TOTAL CURRENT LIABILITIES	20,962,442	26,805,071	23,610,586
LONG TERM DEBT	131,548,968	131,775,186	133,032,519
OTHER LIABILITIES & DEFERRED CREDITS			
OTHER LONG TERM LIABILITIES	2,599,077	2,519,187	206,765
UNAMORT. INVESTMENT TAX CREDIT	1,374,821	1,423,025	2,069,956
NONCURRENT DEFERRED INCOME TAXES	37,494,392	36,991,070	36,647,406
OTHER DEFERRED CREDITS	30,174	38,408	9,545
DEFERRED REGULATORY LIABILITY	6,194,522	4,540,231	0
TOTAL OTHER LIAB & DEF CREDITS	47,692,986	45,511,921	38,933,672
TOTAL LIABILITIES	200,204,396	204,092,178	195,576,777
STOCKHOLDERS' EQUITY			
COMMON STOCK	8,452,056	8,452,056	8,452,056
PREFERRED STOCK	294,500	294,500	313,300
ADDITIONAL PAID IN CAPITAL	12,652,064	12,652,064	12,652,064
RETAINED EARNINGS	78,205,525	78,460,428	72,550,029
TOTAL STOCKHOLDERS' EQUITY	99,604,145	99,859,048	93,967,449
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	299,808,541	303,951,228	289,544,227

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BALANCE SHEET

TOTAL

REPORT 00250 FOR 12/31/93

	THIS MONTH	THIS YEAR TO DATE	TWELVE MONTHS TO DATE
<S>	<C>	<C>	<C>
BALANCE AT BEGINNING OF PERIOD	78,460,428	72,550,029	72,550,029
NET INCOME	971,219	16,619,380	16,619,380
DIVIDENDS ON COMMON STOCK	1,224,844-	10,948,133-	10,948,133-
DIVIDENDS ON PREFERRED STOCK	1,278-	15,751-	15,751-
BALANCE AT END OF PERIOD	78,205,525	78,205,525	78,205,525

</TABLE>

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ANNEX B

Commonwealth Telephone Company

Covenant Confirmation

As of
12/31/93

<S> <C>

Total Leverage Ratio

Indebtedness

Current Maturities	$4,487,256
Long Term Debt	131,548,968
Total Indebtedness	$136,036,224

Operating Cash Flow

Pretax income	$30,510,826
Interest Expense	8,702,911
Depreciation/Amortization	22,977,830

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Accrued and unpaid management fees 0

Minority Interest 0

Nonrecurring transaction expenses 0

____

Total Operating Cash Flow $62,191,567

____

____

Leverage Ratio (Not to exceed 3.5:1.0) 2.19

Interest Coverage Ratio

Operating Cash flow $62,191,567

Interest expense $8,702,911

Interest Coverage Ratio (Minimum of 2.0:1.0) 7.15

Equity to Total Capitalization Ratio

Equity

Total Assets $299,808,541

Total Liabilities 200,204,396

____

Equity $99,604,145

____

____

Total Capitalization

Equity $99,604,145

Total Indebtedness 136,036,224

____

Total Capitalization $235,640,369

____

____

Equity to Total Capitalization Ratio (Not less than 30.0%) 42.3%

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ANNEX B

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ANNEX C

None

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C-TEC CORPORATION

1994 STOCK OPTION PLAN

SECTION I. GENERAL PROVISIONS

1.1 Purposes of the Plan and Types of Grants

The purpose of this 1994 Stock Option Plan (the "Plan") of C-TEC Corporation, a Pennsylvania corporation (the "Company") is to advance the interests of the Company by providing a means for the Company to attract and retain well-qualified employees, provide to employees an incentive to commence or continue service with the Company, and enable employees to acquire or increase a proprietary interest in the Company in order to promote a closer identity of interests between such employees and the Company's shareholders. It is intended that this purpose will be effected through the granting of stock options. The term "option," as used in this Plan, shall include incentive stock options ("Incentive Stock Options") and non-qualified stock options ("Non-qualified Stock Options"). It is intended that the Incentive Stock Options granted under the Plan shall constitute "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986 as now in effect or as later amended (the "Code") and shall be subject to the tax treatment described in Section 421 of the Code. Except as otherwise expressly provided herein, the term Company shall include any "parent" and "subsidiary" of the Company, as such terms are used in Sections 424(e) and 424(f), respectively, of the Code.

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1.2 Stock Subject to the Plan

The maximum number of shares which will be issuable in respect of grants under the Plan shall be an aggregate of 1,350,000 shares of the Company's Common Stock, par value $1.00 per share (the "Common Stock"), subject to adjustment as provided in Section 3 herein. Such shares may be authorized and unissued shares, or shares which shall have been purchased or acquired by the Company for this or any other purpose in accordance with the Plan. In the event any options granted under the Plan shall expire or terminate for any reason without having been exercised in full or shall cease for any reason to be exercisable in whole or in part, those shares relating to an unexercised option, shall again be available for the purposes of the Plan.

1.3 Administration of the Plan

(a) The Plan shall be administered by the Board of Directors, the Compensation Committee or such other committee as may be designated by the Board of Directors (collectively referred to herein as the "Committee"). The Committee shall consist of at least two members of the Board of Directors and each member of the Committee must be a "disinterested person" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934 (the "Exchange Act").

(b) The Committee shall determine, within the limits of the express provisions of the Plan, the individuals to whom, and the time or times at which options shall be granted, the number of shares to be subject to each option, the terms, conditions, restrictions and limitations of each option to be granted, the expiration date of each option (the "Expiration Date"), whether and to what extent options granted under the Plan shall be designated as Incentive Stock Options, the exercise price of each option and the time or times within which (during the term of the option) all or portions of each option may be exercised. In making such determinations, the Committee shall take into account such factors as the Committee in its

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discretion shall deem relevant.

(c) Subject to the express provisions of the Plan, the Committee may interpret the Plan; correct any defect, supply any omission or reconcile any inconsistency in the Plan; prescribe, amend and rescind rules and regulations relating to the Plan; determine the terms and provisions of each option (which need not be identical); and make all other determinations necessary or advisable for the administration of the Plan.

1.4 Eligibility

Options may be granted only to persons who are employees of the Company, including employees who are directors and/or officers ("Eligible Persons"); provided, however, that (i) employees subject to a collective bargaining agreement with the Company and (ii) directors of the Company who are not otherwise actively employed by the Company, shall not be eligible.

SECTION II. STOCK OPTIONS

2.1 General Limitation on Incentive Stock Options and Non-Qualified Stock Options

(a) The aggregate fair market value (determined as of the date on which the option is granted) of stock with respect to which options designated as Incentive Stock Options, together with incentive stock options under any other plan of the Company, are exercisable for the first time by any employee in any calendar year shall not exceed $100,000. In addition, no options designated as Incentive Stock Options may be granted under the Plan if such grant, together with any other applicable grant of Incentive Stock Options under the Plan or incentive stock options under any other plan of the Company would exceed any other applicable maximum established under Section 422 of

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the Code for Incentive Stock Options. If an option granted under the Plan which is designated as an Incentive Stock Option exceeds such limitations, such option, to the extent of such excess, shall be a separate Non-qualified Stock Option.

(b) The maximum number of shares of Common Stock subject to Non-qualified Stock Options that may be granted to any Eligible Person during any ten year period shall not exceed, subject to adjustment as provided in Section 3.1 herein, 1,350,000 shares. Solely for purposes of this Section 2. l(b), if an outstanding Non-qualified Stock Option is cancelled, the shares subject to such option shall continue to be counted against said maximum number.

2.2 Exercise Price

The price at which shares of the Common Stock may be purchased pursuant to the exercise of options granted under the Plan ("Exercise Price") shall be established by the Committee, but shall not be less than 100% of the fair market value of the Common Stock on the date the option is granted. However, if the option is intended to qualify as an Incentive Stock Option, the Exercise Price must be not less than 110% of the fair market value of the Common Stock on the date the option is granted if an optionee owns (or is deemed to own under

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applicable provisions of the Code and rules and regulations promulgated thereunder) more than 10% of the combined voting power of all classes of the stock of the Company. The fair market value of the Common Stock on any day shall be the value of a share of Common Stock as reported for stock exchange (including an automated system of quotations) transactions and/or determined in accordance with any applicable resolutions or regulations of the Committee in effect at the relevant time.

2.3 Term of Each Option

The term of each option shall be for such period as the Committee shall determine, but not more than ten years from the date of the granting thereof, provided that if an optionee owns (or is deemed to own under applicable provisions of the Code and rules and regulations promulgated thereunder) more than 10% of the combined voting power of all classes of the stock of the Company and an option granted to such optionee is intended to qualify as an Incentive Stock Option, the term of such option shall be no more than five years.

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2.4 Exercise of Options

(a) Options granted under the Plan shall be exercisable in cumulative annual increments of 20% commencing one year from the date of grant, except as (i) otherwise provided by the Committee and evidenced in the option agreement or instrument or (ii) except in the event of a Change in Control (as such term is defined in Section 2.4(d) herein) in which case all of such options shall become exercisable immediately. No fractional shares, or cash in lieu thereof, shall be issued under this Plan or under any option granted hereunder.

(b) The Exercise Price of the shares as to which an option shall be exercised shall be paid in full at the time of exercise by one or any combination of the following methods, as determined by the Committee: (i) in cash, certified check, bank or cashier's check or money order (collectively referred to herein as a "Check"), and/or (ii) by transferring to the Company owned and unencumbered shares of Common Stock (to the extent the Company is not then prohibited from purchasing or acquiring shares of such stock), having a fair market value (determined in accordance with the methods described in Section 2.2) equal to or less than the aggregate exercise price of the options exercised, with a Check for the remainder, if any, of the exercise price. The Company shall not be required to deliver certificates for such shares until such payment has been made.

(c) The Company may, in its sole discretion, if so requested by an optionee, pay an optionee, in lieu of the exercise of his option for all or a portion of the shares covered by such option, whichever of the following is designated by the Committee: (i) cash equal to the excess of the fair market value of one share over the Exercise Price per share specified in such option multiplied by the number of shares called for by the option, or the specified portion of such shares; or (ii) the nearest whole number of shares of Common Stock having an aggregate value which is not greater than the cash amount calculated in (i) above; or (iii) a combination of (i) or (ii) above. The method of exercise provided in Section 2.4(c)(i), (ii) and (iii) are referred to herein collectively as

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the "alternative settlement method." The Committee may specify at any time by written notice to an optionee that the alternative settlement method with respect to his option will be available only for cash or for stock or for a specified combination of each. The alternative settlement method shall be available only to the extent that an option is exercisable and only if the fair market value of a share of Common Stock on the date a request for the alternative settlement method is granted exceeds the Exercise Price per share specified in the option. An option, or any portion thereof, with respect to which an optionee's request for the alternative settlement method is granted shall be surrendered to the Company. An option shall cease to be exercisable to the extent that an optionee's request for the alternative settlement method is granted, and the underlying shares will not be regarded as available for new option grants in the future.

(d) The term "Change in Control" shall mean:

(i) any acquisition, beneficially or otherwise, by any "Unrelated Party" (as such term is defined below) of securities of the Company representing 30% or more of the combined voting power of the Company securities issued and outstanding immediately prior to such acquisition (a series of acquisitions by an Unrelated Party shall be treated as a single acquisition to the extent the aggregate number of shares acquired in such series equals or exceeds 30%);

(ii) a voluntary or involuntary dissolution or reorganization of the Company; or

(iii) a change in the majority of the Board of Directors of the Company in connection with, or directly

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resulting from, a merger, sale of assets or other reorganization of the Company, an Unrelated Party tender offer or proxy contest. Such a change in the majority of the Board of Directors shall be deemed to have occurred if the persons who were the Directors of the Company immediately before such event or acquisition cease to constitute a majority of the Board of Directors of the Company or any successor to the Company at any time within twelve months after such event or acquisition.

(e) The term "Unrelated Party" shall mean any party or group of parties acting together; excluding, however, the Company, any trustee under any employee benefit plan maintained by the Company, and any nominee holder for a securities exchange in which the capital stock of the Company may be traded, if any. Notwithstanding anything contained herein to the contrary, a Change in Control shall not include the reincorporation of the Company in a state other than Pennsylvania or the restructuring of the Company to create a holding company, provided that such restructuring does not otherwise result in a Change in Control.

2.5 Non-Transferability of Options

No option granted under the Plan may be assigned or transferred otherwise than by will or by the laws of descent and distribution and during an optionee's lifetime shall be exercisable only by the optionee, or in the event of an optionee's legal incapacity, such optionee's court appointed representative.

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2.6 Termination of Employment or Other Service

If an optionee ceases to be an Eligible Person for any reason other than disability (as such term is defined below) or death, then each outstanding option granted to such optionee under the Plan will terminate on the date three months after the date such optionee ceases to be an Eligible Person (or, if earlier, the date specified in the option agreement or instrument). If an optionee ceases to be an Eligible Person by reason of death or disability (or if the optionee's eligibility is terminated by reason of his or her disability and the optionee dies within one year after such termination of eligibility), then each outstanding option granted to the optionee under the Plan will terminate on the date one year after the date of such termination of eligibility (or one year after the later death of a disabled optionee) or, if earlier, the date specified in the option agreement or instrument. Such options will be exercisable to the extent that the optionee was able to exercise same as of the date the optionee ceased to be an Eligible Person. Notwithstanding anything to the contrary herein, an option may not, under any circumstances, be exercised subsequent to its Expiration Date. For the purpose of this Section 2.6, "disability" or "disabled" shall mean permanent mental or physical disability as determined by the Committee subject, in the case of an Incentive Stock Option, to the requirements of Section 22(e)(3) of the Code.

2.7 Option Instruments

Options shall be evidenced by an instrument or agreement dated the date the option is granted, and shall contain such terms and conditions, consistent with the Plan, as the Committee shall approve.

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SECTION III. ANTI-DILUTION PROVISIONS

3.1 Adjustment in the Event of Change in Stock

In the event of changes in the outstanding Common Stock of the Company by reason of stock dividends, recapitalizations, mergers, consolidations, split-ups, combinations or exchanges of shares and the like, the aggregate number and class of shares available under the Plan, and the number, class and the price of shares subject to outstanding options shall be appropriately adjusted by the Committee, whose determination shall be conclusive.

SECTION IV. MISCELLANEOUS

4.1 Compliance with Securities Laws and Stock Exchange Requirements

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Each option granted under the Plan shall be subject to the requirement that, if at any time the Committee shall determine, in its sole discretion, that the registration, qualification or listing of the shares subject to such option upon a securities exchange (which for the purposes of this Section 4.1 shall include NASDAQ or other similar automated system of quotation) or under any state or federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the granting or exercise of such option, the Company shall not be required to issue such shares unless such registration, qualification, listing, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee. Nothing in the Plan or any agreement or grant hereunder shall obligate the Company to effect any such registration, qualification or listing.

4.2 Withholdinq Taxes

The Company shall have the right to deduct any sums that federal, state or local tax law requires to be withheld with respect to the exercise of any option, or as otherwise may be required by such laws. The Company may require as a condition to issuing or delivering shares upon exercise of the option that the holder of an option or other person exercising the option pay any sums that federal, state, or local tax law requires to be withheld with respect to such exercise. This authority shall permit the Company to withhold or receive shares or other property and to make cash payments in respect thereof in satisfaction of the optionee's tax obligations, including tax obligations in excess of mandatory withholding requirements, subject to and only to the extent authorized by the Committee. The Company shall not be obligated to advise any optionee of the existence of the tax or the amount which the Company will be so required to withhold.

4.3 Amendment and Termination

The Board of Directors may from time to time amend and at any time rescind or terminate the Plan as it shall deem advisable; provided, however, that no change that would impair

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the rights of the optionees may be made in options theretofore granted without the consent of the optionees; and provided further, that no amendment which requires the approval of shareholders in order for the Plan to comply with Rule 16b-3 under the Exchange Act shall be adopted without such approval of shareholders.

4.4 No Rights Conferred

Nothing contained herein will be deemed to give any individual any right to receive an option under the Plan or to be retained in the employ or service of the Company nor shall this Plan be construed as a contract of employment with any Eligible Person.

4.5 Governing Law

The Plan and each agreement or instrument evidencing an option shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania applicable to contracts made and performed within such state, except as such laws may be supplanted by the federal laws of the United States of America, which laws shall then govern its effect and its construction to the extent they supplant Pennsylvania law.

4.6 Compliance with Rule 16b-3

(a) Unless an optionee could otherwise transfer shares issued upon exercise of an option or exercise a right to receive cash under the Plan without incurring liability under Section 16(b) of the Exchange Act, at least six months must elapse from the date of acquisition of an option to the date of

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disposition of the shares issued upon exercise of the option, and no right to receive cash under the Plan may be exercised within six months after the date of grant of such right.

(b) It is the intent of the Company that this Plan comply in all respects with applicable provisions of Rule 16b-3 or Rule 16a-l (c)(3) under the Exchange Act in connection with any grant of an option to or other transaction by a participant who is subject to Section 16 of the Exchange Act (except for transactions exempted under alternative Exchange Act rules or acknowledged in writing to be nonexempt by such participant). Accordingly, if any provision of the Plan or any instrument relating to an option does not comply with the requirements of Rule 16b-3 or Rule 16a-1 (c)(3) as then applicable to any such transaction, such provision will be construed or deemed amended to the extent necessary to conform to the applicable requirements of Rule 16b-3 or Rule 16a-l(c)(3) so that such participant shall avoid liability under Section 16(b)

4.7 Term of the Plan

The Plan shall become effective as of February 22, 1994 by action of the Board of Directors conditioned on and subject to approval of the Plan, by a vote of the holders of a majority of the shares of the Company present in person or by proxy at a duly held shareholders meeting at which a quorum representing a majority of all outstanding voting stock is present. The Plan shall terminate on February 21, 2004, or at such earlier date as may be determined by the Board of Directors in accordance with Section 4.3.

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