



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

JUNE 12, 2003

A-310800 F0009
A-310095 F0004
A-311225 F0002

KJR

NORMAN JAMES KENNARD
MALATESTA HAWKE & MCKEON
PO BOX 1778
HARRISBURG PA 17105-1778

DOCKETED
JUL 02 2003

Joint application of Commonwealth Telephone Company CTSI LLC, and CTE Telecom LLC., d/b/a Commonwealth Long Distance for approval of the conversion of supervoting Class B shares of the utilities' parent, CTE Enterprises, Inc., into common stock of the parent and the resultant dissipation of de facto control by the shareholder with the largest voting interest in the parent.

DOCUMENT

To Whom It May Concern:

This is to advise you that the Commission in Public Meeting on June 12, 2003 has adopted an Order in the above entitled proceeding.

An Order has been enclosed for your records.

Very truly yours,

James J. McNulty
Secretary

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encls
cert. mail

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA. 17105-3265

Public Meeting held June 12, 2003

Commissioners Present:

Terrance J. Fitzpatrick, Chairman
Robert K. Bloom, Vice Chairman
Aaron Wilson, Jr.
Glen R. Thomas
Kim Pizzingrilli

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Joint application of

Commonwealth Telephone Company,
CTSI LLC, and
CTE Telecom LLC d/b/a Commonwealth Long Distance

Docket Nos.:

A-310800 F0009
A-310095 F0004
A-311225 F0002

for approval of the conversion of supervoting Class B shares of the utilities' parent, CTE Enterprises, Inc., into common stock of the parent and the resultant dissipation of de facto control by the shareholder with the largest voting interest in the parent.

ORDER

BY THE COMMISSION:

On April 25, 2003, Commonwealth Telephone Company (Commonwealth Telephone), CTSI LLC (CTSI), and CTE Telecom LLC d/b/a Commonwealth Long Distance (CLD) filed the above-captioned application pursuant to Chapter 11 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §§1101-1103. Copies of the application were served upon the Office of Consumer Advocate and the Office of

Small Business Advocate. Further notice was not required and no protest period was established. No protests or comments have been received.

Commonwealth Telephone is a wholly-owned direct subsidiary of Commonwealth Telephone Enterprises, Inc. (CTE), while CTSI and CLD are in turn direct subsidiaries of Commonwealth Telephone. Commonwealth Telephone is a rural incumbent local exchange carrier (ILEC) serving over 300,000 access lines in 20 counties in northeastern and south central Pennsylvania. CTSI is a facilities-based CLEC certificated pursuant to our Order entered June 22, 2001, at Docket No. A-311095. CLD is a facilities-based IXC reseller certificated pursuant to our Order entered December 23, 2002 at Docket No. A-311225.

CTE currently has outstanding two classes of stock. Shares of common stock, of which approximately 21.6 million shares are outstanding, are entitled to one vote each, while shares of Class B stock, with approximately two million shares outstanding, possess 15 votes each. The shareholder with the largest voting interest in CTE is Level 3 Communications, Inc. (Level 3), which owns slightly more than one million shares of Class B shares and possesses 29.3% of the voting interest. Two financial institutions hold voting interests, through holdings of Class B stock and common stock, of 13.4% and 3.2%. No other shareholder controls over 1% of the voting interest.¹

Level 3 is a jurisdictional utility, having authority in Pennsylvania as a CLEC, CAP and IXC reseller. None of those jurisdictional activities is directly

¹ All voting interests based on shares outstanding March 31, 2003, as reported on CTE's Form 10Q filed with the Securities and Exchange Commission.

affected by the proposed CTE transaction and Level 3 is not a party to the instant application.

CTE, Level 3, and a subsidiary of Level 3 have entered into a recapitalization agreement under which holders of Class B stock would receive 1.09 share of common stock in exchange for each share of Class B stock. The agreement also provides that CTE will seek approval of an amendment to its corporate charter that will authorize the recapitalization, and will eliminate the Class B shares from its capital stock. The Charter Amendment is on the agenda for shareholder approval at CTE's forthcoming 2003 shareholder meeting.

The recapitalization will reduce the voting interest in CTE held by the current holders of Class B shares. Significantly, Level 3's current 29.3% voting interest will be reduced to 4.6%, thereby dissipating its former de facto control of CTE and, consequently, of Commonwealth Telephone, CTSI and CLD. Following the conversion, no single shareholder or shareholders acting in concert will own more than 8% of the voting interest in CTE, and therefore there no longer will exist any de facto control. Our Policy Statement concerning changes in control of utilities, 52 Pa. Code §69.901, requires utilities to seek our prior approval of a change in control of a jurisdictional entity, including the dissipation of a de facto controlling interest. It is just such approval that the parties seek through the instant application.

In their filing, the applicants note that the conversion to a single class of stock will increase the liquidity and trading efficiency in CTE's common stock, contributing to a potential ability to raise capital more efficiently. They also have pointed to administrative savings that will be gained by eliminating some

duplication of expenses. Such potential for greater efficiency allows the transaction to meet the standard set by *City of York v. Pennsylvania Public Utility Commission*, 446 Pa. 136, 295 A.2d 825 (1972), that the change in control provide an affirmative public benefit.

Having reviewed the instant application, we have determined that the proposed conversion of Class B stock and dissipation of de facto control are necessary or proper for the service, accommodation, convenience, or safety of the public, and that the application should be approved; THEREFORE,

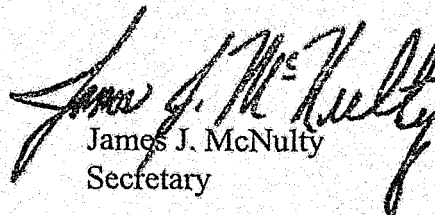
IT IS ORDERED:

1. That the conversion of Class B stock to common stock, and the resultant dissipation of de facto control of Commonwealth Telephone Enterprises, Inc. and its utility subsidiaries is hereby approved.

2. That within 30 days of the effective date of the conversion, Commonwealth Telephone Company shall file notice with this Commission of such conversion.

3. That if the parties determine that the proposed conversion of Class B stock will not take place, Commonwealth Telephone Company shall promptly notify this Commission of such determination.

BY THE COMMISSION


James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: June 12, 2003

ORDER ENTERED: JUN 12 2003

Hawke

ORIGINAL

McKeon

Sniscak &

Kennard LLP

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September 9, 2003

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street - Filing Room (2nd Floor)
P.O. Box 3265
Harrisburg, PA 17105-3265

RE: Joint Application of Commonwealth Telephone Company, CTSI LLC, and CTE Telecom LLC., d/b/a Commonwealth Long Distance for approval of the conversion of supervoting Class B shares of the utilities' parent, CTE Enterprises, Inc., into common stock of the parent and the resultant dissipation of de facto control by the shareholder with the largest voting interest in the parent; Docket Nos. A-310800F00009, A-310095F0004, and A-311225F0002

Dear Mr. McNulty:

Please be advised that the reclassification and conversion of CTE Enterprises, Inc.'s Class B Stock into Common Stock was approved by the Shareholders and consummated effective September 3, 2003.

If you have any questions with regard to this matter, please direct them to me. Thank you for your attention to this matter.

DOCKETED

Very truly yours,

SEP 12 2003

Norman James Kennard

DOCUMENT
FOLDER

RECEIVED

SEP 09 2003

NJK/rjh
Enclosures
cc: Douglas Beebe, FUS

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

MAILING ADDRESS: P.O. BOX 1778 HARRISBURG, PA 17105