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CITIZENS COMMUNICATIONS CO
Form 11-K
June 27, 2007

United States Securities and Exchange Commission
Washington, D.C. 20549

Form 11-K

(Mark One)

Annual Report Pursuant to Section 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2006

or
--

Transition Report Pursuant to Section 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 001-11001

Citizens 401(k) Savings Plan

(Full title of the Plan)

Citizens Communications Company
3 High Ridge Park
P.O. Box 3801
Stamford, CT 06905

(Name of issuer of the securities held pursuant to the Plan and the address of its principal executive offices)

CITIZENS 401(k) SAVINGS PLAN

Financial Statements and Supplemental Schedule

December 31, 2006 and 2005

(With Report of Independent Registered Public Accounting Firm)

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CITIZENS 401(k) SAVINGS PLAN

Table of Contents

| | Page |
|--|------|
| | ---- |
| Report of Independent Registered Public Accounting Firm | 1 |
| Financial Statements: | |
| Statements of Net Assets Available for Benefits - December 31, 2006 and 2005 | 2 |
| Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2006 | 3 |
| Notes to Financial Statements | 4-10 |
| Supplemental Schedules:* | |
| Schedule H, Line 4(i) - Schedule of Assets (Held at End of Year) as of December 31, 2006 | 11 |
| Signature | 12 |
| Consent of Independent Registered Public Accounting Firm | 13 |

* Schedules required by Form 5500 that are not applicable have not been included.

Report of Independent Registered Public Accounting Firm

To the Participants and Plan Administrator
of the Citizens 401(k) Savings Plan:

We have audited the statements of net assets available for benefits of the Citizens 401(k) Savings Plan (the "Plan") as of December 31, 2006 and 2005, and the related statement of changes in net assets available for benefits for the year ended December 31, 2006. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards of the Public

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Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2006 and 2005 and the changes in net assets available for benefits for the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule H, Schedule of Assets (Held at End of Year), for the year ended December 31, 2006 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the United States Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. This supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As further discussed in Note 2, the Plan adopted Financial Accounting Standards Board Staff Position AAG INV-1 and SOP 94-4-1 for the years ended December 31, 2006 and 2005.

/s/ Insero & Company CPAs, P.C.
Certified Public Accountants

Insero & Company CPAs, P.C.
Certified Public Accountants
Rochester, New York
June 26, 2007

CITIZENS 401(k) SAVINGS PLAN
Statements of Net Assets Available for Benefits
December 31, 2006 and 2005

2006

Assets:
Cash and Cash Equivalents:

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| | | | |
|---|----|-------------|-------|
| Uninvested Cash | \$ | 57,133 | \$ |
| Investments (note 3): | | | |
| Citizens Communications Company common stock | | 56,348,759 | |
| Mutual funds | | 198,833,321 | |
| Collective trusts | | 137,350,003 | |
| Participant loans | | 15,795,960 | |
| Brokerage accounts | | 184,248 | |
| | | ----- | |
| Total investments, at fair value | | 408,512,291 | |
| Receivables: | | | |
| Employer contributions | | 343,066 | |
| Participant contributions | | 1,504,766 | |
| | | ----- | |
| Total receivables | | 1,847,832 | |
| | | ----- | |
| Net assets available for benefits, at fair value | | 410,417,256 | |
| | | ----- | |
| Adjustment from fair value to contract value for interest in collective trust relating to fully benefit-responsive investment contracts | | 605,079 | |
| | | ----- | |
| Net assets available for benefits | \$ | 411,022,335 | \$ |
| | | ===== | ===== |

See accompanying notes to financial statements.

2

CITIZENS 401(k) SAVINGS PLAN
Statement of Changes in Net Assets Available for Benefits
Year ended December 31, 2006

| | | |
|--|----|--------------|
| Additions to net assets attributed to: | | 2006 |
| | | ----- |
| Investment income: | | |
| Dividends | \$ | 23,260,247 |
| Interest | | 828,398 |
| Net appreciation in fair value of investments (note 3) | | 29,413,694 |
| | | ----- |
| | | 53,502,339 |
| | | ----- |
| Contributions: | | |
| Participant | | 22,824,681 |
| Employer | | 7,367,767 |
| Rollover | | 444,285 |
| | | ----- |
| | | 30,636,733 |
| | | ----- |
| Total additions | | 84,139,072 |
| | | ----- |
| Deductions from net assets attributed to: | | |
| Distributions to participants | | (44,305,252) |

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| | |
|---|--------------------------------|
| Total deductions | ----- (44,305,252) ----- |
| Net increase in assets available for benefits | 39,833,820 |
| Net assets available for benefits: | |
| Beginning of year | 371,188,515 ----- |
| End of year | \$ 411,022,335 ===== |

See accompanying notes to financial statements.

3

CITIZENS 401(k) SAVINGS PLAN

Notes to Financial Statements

December 31, 2006 and 2005

(1) Description of the Plan

General

The following brief description of the Citizens 401(k) Savings Plan (the "Plan") provides general information. Participants should refer to the Plan document for a more comprehensive description of the Plan's provisions. Copies of the Plan document are available from the Plan sponsor.

(a) Background

The Plan is a defined contribution plan sponsored and managed by Citizens Communications Company (the "Company"). Under the terms of the Plan, employees are eligible to participate in the Plan as of the first day of the month (the "entry date") immediately following the employee's completion of 30 days of service, provided that the employee is employed by a participating employer in an eligible class of employees. Leased employees, individuals not on the employer's payroll, per diem and casual workers, temporary employees, and scholarship students are ineligible to participate. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

(b) Contributions

Eligible employees may contribute, in 1% increments, up to 75% of their annual eligible compensation in elective pre-tax deferrals through payroll deductions, subject to certain maximum contribution restrictions. The maximum contribution allowed for deferral for U.S. federal income tax purposes in 2006 was \$15,000.

In addition, eligible Frontier union employees covered by collective bargaining agreements may also elect to make after-tax contributions, in 1% increments of their annual eligible compensation, through payroll deductions up to (i) 50% of the participant's eligible compensation reduced by (ii) the percentage of eligible compensation

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deferred through elective pre-tax deferrals.

All employees eligible to make contributions under the Plan and who have attained or will attain age 50 before the close of the Plan year shall be eligible to make catch-up contributions in accordance with, and subject to the limitations of, Section 414(v) of the Internal Revenue Code ("IRC"). The maximum allowable catch-up contribution for 2006 was \$5,000. No matching contributions are made with respect to a participant's catch-up contributions.

The Company contributes 50% of each non-bargaining participant's contribution up to 6% of each participant's eligible compensation. Company contributions for participants covered by collective bargaining agreements are determined based on the terms of those agreements. The Company contributions for non-union and certain union participants are allocated to Plan investments following the same method of allocation as that for participant-directed investments.

For certain union employees covered by collective bargaining agreements, the Company may contribute Employer Fixed Contributions, Employer Matching Contributions, Discretionary Contributions, and Special Transition-Year Contributions (as defined by the Plan). Participants should refer to their respective bargaining agreements for all employer contribution requirements.

4

Supplemental Profit Sharing Matches may be contributed, contingent upon the Company exceeding certain financial targets. For each 1% above the Company's operating income plus depreciation and amortization ("EBITDA") goal approved by the Company's Board of Directors, the Company provides eligible employees with 0.5% of eligible pay in the form of a matching contribution into the 401(k) Plan, up to a maximum of 3%. Only non-union and certain union employees who have contributed at least 1% of their eligible pay during the year as elective deferrals are eligible for a Supplemental Profit Sharing Match. For the year ended December 31, 2006, the Company did not exceed its EBITDA goal and therefore no supplemental profit sharing match was made on behalf of the employees.

(c) Participant Accounts

Each participant's account is credited with the participant's contribution and an allocation of (a) the Company's contribution and (b) investment earnings or losses. Allocations are based on each participant's investment election(s). The benefit to which a participant is entitled is the amount that can be provided from the participant's vested account.

(d) Vesting

Participants are vested immediately in their contributions plus the allocated earnings thereon. Participants become 100% vested in the Company contributions and the related earnings on the Company contributions upon disability, death, or attainment of normal retirement age while an employee. Except as otherwise noted, for any other termination of employment, the vesting schedule for Company contributions and related earnings is as follows:

| Years of Service | Vesting Percentage |
|------------------|--------------------|
|------------------|--------------------|

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| | |
|-------------------------------|------|
| Less than 2 years | 0% |
| 2 years but less than 3 years | 40% |
| 3 years but less than 4 years | 60% |
| 4 years but less than 5 years | 80% |
| 5 years or more | 100% |

Frontier union employees and certain other employees covered by collective bargaining agreements are immediately 100% vested in all contributions and allocated earnings thereon.

(e) Participant Loans

Participants in the Plan may request to borrow up to the lesser of 50% of their vested account balance or \$50,000. The interest rate paid by the participant is equal to the prime interest rate in effect at the beginning of the month in which the loan is processed and remains fixed at that rate for the term of the loan. Loan repayments are after tax, and are credited to each participant's account as the payments are made. A participant may repay a loan in full at any time by remitting his/her payment directly to the trustee of the Plan. Any distribution following a participant's termination of employment is reduced by any loan balance outstanding at the time of such distribution.

(f) Payment of Benefits

Inactive participants do not have the option to keep any portion of their account in the Plan beyond the attainment of age 70 1/2. Participants still employed by the Company at age 70 1/2, must take a full distribution of their balances on or before April 1st of the calendar year after they retire.

5

Upon termination of employment or permanent disability, a participant is entitled to receive payment in full of the vested portion of his/her account. If the value of the terminating participant's vested account balance does not exceed \$1,000 (\$5,000 prior to March 28, 2005), the participant's balance will be distributed automatically at that time.

(g) Forfeitures

Forfeitures of nonvested Company contributions are applied first to the payment of Plan administrative expenses, to the extent not previously paid by the Company, with any excess being applied to reduce future contributions of the Company. For the year ended December 31, 2006, forfeited nonvested Company contributions totaled \$209,362. Forfeited nonvested Company contributions of \$0 were used to fund Plan administrative expenses, and \$72,367 (including amounts remaining from prior years) was used to partially fund the Company match for the year ended December 31, 2006.

(h) Administrative Expenses

The majority of Plan administrative expenses are paid by participants through investment management fees. There were no Plan administrative expenses charged by T. Rowe Price for the years ended December 31,

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2006 and 2005.

(i) Investments

The Plan offered the following 17 investment options as of December 31, 2006:

- Citizens Communications Company Common Stock
- PIMCO Total Return Fund, Admin. Shares
- PIMCO Long Term U.S. Government Fund, Admin.
- Dreyfus Premier New Leaders Fund, A
- JP Morgan Diversified Mid Cap Growth Fund
- JP Morgan Mid Cap Value Fund, A
- Morgan Stanley Institutional Small Company Growth Portfolio, B
- Morgan Stanley Institutional International Equity Portfolio, B
- Morgan Stanley Institutional U.S. Real Estate Fund, B
- T. Rowe Price Stable Value Fund
- T. Rowe Price Equity Index Trust
- T. Rowe Price Equity Income Fund
- T. Rowe Price Growth Stock Fund
- T. Rowe Price Personal Strategy Balanced Fund
- T. Rowe Price Personal Strategy Growth Fund
- T. Rowe Price Personal Strategy Income Fund
- T. Rowe Price TradeLink

Effective January 1, 2006, the Plan was amended to implement restrictions on a participant's ability to invest in Citizens Communications Company common stock if the value of the Company stock fund exceeds 15% of the total value of the participant's account. In addition, a participant is restricted from investing more than 15% of current contributions in the Company stock fund.

6

(j) Mutual Fund Fees

Investments in mutual funds are subject to sales charges and annual fees for marketing and distribution costs of the funds. These fees are deducted prior to the allocation of the investment earnings activity and thus not separately identifiable as an expense of the Plan.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements of the Plan are prepared under the accrual method of accounting.

As described in Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1, Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined Contribution Health and Welfare and Pensions Plans (the FSP), investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would

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receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in investment contracts through a collective trust. As required by the FSP, the Statement of Net Assets Available for Benefits presents the fair value of the investment in the collective trust as well as the adjustment of the investment in the collective trust from fair value to contract value relating to the investment contracts. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

(b) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, changes therein, and disclosures of contingent assets and liabilities at the date of the financial statements. The preparation of these financial statements also requires the use of plan administrator estimates. Actual results may differ from these estimates. Certain reclassifications of balances previously reported have been made to conform to the current presentation.

(c) Investments

The Plan's investments are stated at fair value. Shares of registered investment companies (mutual funds) are valued at quoted market prices, which represent the net asset value of shares held by the Plan. The Plan's interest in collective trusts are valued based on information reported by the investment advisor using the audited financial statements of the collective trust at year-end. Common stock is valued at its quoted market price as of the end of the Plan year. Participant loans are valued at cost, which approximates fair value. In addition, the Plan offers a brokerage option, Tradelink, whereby participants invest in publicly traded mutual funds not offered directly by the Plan. The net appreciation in fair value of investments consists of the net realized gains and losses on the disposal of investments during 2006 and the net unrealized appreciation/depreciation of the market value for the investments remaining in the Plan as of December 31, 2006.

7

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the dividend date.

(d) Benefits Paid

Distributions to participants are recorded when paid.

(e) Risks and Uncertainties

The Plan offers a number of investment options including the Company's common stock and a variety of pooled investment funds, some of which are registered investment companies. The investment funds principally include U.S. equities, international equities, and fixed income securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonable to expect that changes in the values of

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investment securities will occur in the near term and that such changes could materially affect participant account balances.

The Plan's exposure to a concentration of issuer risk is limited by the diversification of investments across all participant-directed fund elections except for the Company Common Stock Fund, which is invested in the security of a single issuer. Additionally, the investments within certain participant-directed fund elections may be further diversified into varied financial instruments.

(3) Investments

The following presents investments at fair value that represent 5% or more of the Plan's net assets at the end of year:

| | 2006 | |
|---|---------------|-------|
| | ----- | ----- |
| Citizens Communications Company Common Stock Fund: | | |
| Participant-Directed, 3,770,805 and 4,432,500 shares, | | |
| respectively | \$ 54,173,081 | \$ |
| Company-Directed, 150,473 and 258,420 shares, respectively | 2,175,678 | |
| PIMCO Total Return Fund, Admin. Shares | 26,133,941 | |
| Morgan Stanley Institutional International Equity Portfolio, B | 32,703,399 | |
| T. Rowe Price Growth Stock Fund | 29,677,168 | |
| T. Rowe Price Stable Value Fund | 70,581,648 | |
| T. Rowe Price Equity Index Trust | 66,768,355 | |
| T. Rowe Price Equity Income Fund | 21,817,534 | |
| *** Fund represented less than 5% of Plan's net assets in 2005. | | |

Citizens Communications Company Common Stock Fund includes investments in Citizens Communications common stock and additional uninvested cash.

8

During 2006, the Plan's investments (including gains and losses on investments bought and sold as well as held during the year) appreciated in value by \$29,413,694 as follows:

| | |
|-------------------|---------------|
| Common stocks | \$ 9,183,934 |
| Mutual funds | 9,490,035 |
| Collective trusts | 10,739,725 |
| | ----- |
| | \$ 29,413,694 |
| | ===== |

(4) Company-Directed Investments

Information about the assets available for benefits and significant components of the changes in assets available for benefits relating to the nonparticipant-directed investments is as follows:

| | 2006 | 2005 |
|---------|-------|-------|
| | ----- | ----- |
| Assets: | | |

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| | | |
|--|--------------|--------------|
| Common Stock of the Company at December 31 | \$ 2,175,678 | \$ 3,162,152 |
| | ===== | ===== |
| Changes in assets: | | |
| Dividends | 204,053 | 259,362 |
| Net change in fair value of investments | 441,212 | (415,859) |
| Distributions to participants | (1,631,739) | (458,524) |
| | ----- | ----- |
| Change in assets | \$ (986,474) | \$ (615,021) |
| | ===== | ===== |

(5) Related Party Transactions

Certain Plan assets are invested in shares of mutual funds and collective trust funds that are managed by T. Rowe Price. T. Rowe Price is the trustee as defined by the Plan and therefore, transactions involving these assets qualify as party-in-interest transactions. There were no trustee fees paid by the Company to T. Rowe Price for the years ended December 31, 2006 and 2005.

(6) Plan Termination

Although it has not expressed any intention to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA, Collective Bargaining Agreements and the National Labor Relations Board. In the event of plan termination, participants will become 100% vested in their accounts.

9

(7) Tax Status

The Plan received a favorable determination letter from the Internal Revenue Service dated January 9, 2006, indicating that it meets the requirements of Section 401(a) and 501(a) of the Internal Revenue Code ("IRC") and has qualified status as an employee retirement plan. The Plan has been amended since receiving the determination letter. However, the Plan administrator and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC.

(8) Reconciliation of Financial Statements to Form 5500

The following is a reconciliation from the financial statements to the Form 5500 at December 31, 2006:

| | | |
|---|----|-----------|
| Net Assets Available for Benefits per the Financial Statements | \$ | 411,022,3 |
| Adjustment from contract value to fair value for interest in collective trust relating to fully benefit-responsive investment contracts | | (605,0 |
| | | ----- |
| Net Assets Available for Benefits per the Form 5500 | \$ | 410,417,2 |

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| | |
|---|-------------|
| Net Increase in Assets Available for Benefits per the Financial Statements | \$ 39,833,8 |
| Adjustment from contract value to fair value for interest in collective trust relating to fully benefit-responsive investment contracts | (605,0 |
| Net Income per the Form 5500 | \$ 39,228,7 |

10

CITIZENS 401(k) SAVINGS PLAN
 EIN #: 06-0619596 Plan #005
 Schedule H, Line 4(i) - Schedule of Assets (Held at End of Year)
 December 31, 2006

| (a) | (b) | (c) |
|-----|--|---|
| | Identity of Issuer | Description of Investment |
| * | Citizens Communications Company | Common Stock; 3,921,278 shares; cost |
| * | T. Rowe Price TradeLink | Brokerage Accounts; 184,248 |
| | PIMCO Total Return Fund, Admin. Shares | Mutual Funds; 2,517,721 shar |
| | Dreyfus Premier New Leaders Fund, A | Mutual Funds; 170,454 shares |
| | JP Morgan Diversified Mid Cap Growth Fund | Mutual Fund; 435,946 shares |
| | JP Morgan Mid Cap Value Fund, A | Mutual Fund; 379,020 shares |
| | PIMCO Long Term U.S. Government Fund, Admin. | Mutual Fund; 331,771 shares |
| | Morgan Stanley Institutional Small Company Growth Portfolio, B | Mutual Fund; 1,539,114 share |
| | Morgan Stanley Institutional International Equity Portfolio, B | Mutual Fund; 1,603,108 share |
| | Morgan Stanley Institutional U.S. Real Estate Fund, B | Mutual Fund; 582,921 shares |
| * | T. Rowe Price Personal Strategy Balanced Fund | Mutual Fund; 540,010 shares |
| * | T. Rowe Price Personal Strategy Income Fund | Mutual Fund; 286,231 shares |
| * | T. Rowe Price Growth Stock Fund | Mutual Fund; 938,260 shares |
| * | T. Rowe Price Equity Income Fund | Mutual Fund; 738,326 shares |
| * | T. Rowe Price Personal Strategy Growth Fund | Mutual Fund; 245,411 shares |
| | | Total mutual funds |
| * | T. Rowe Price Stable Value Fund | Collective Trust; 71,186,728 |
| * | T. Rowe Price Equity Index Trust | Collective Trust; 1,572,500 |
| | | Total collective trust |
| * | Participant loans | 3,406 loans, maturing in 1 t with interest rates ranging 9.5% |

* Party-in-interest as defined by ERISA

See accompanying independent auditors' report.

11

CITIZENS 401(k) SAVINGS PLAN

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan Administrators have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Citizens 401(k) Savings Plan

By /s/ Robert J. Larson

Robert J. Larson

Senior Vice President and Chief Accounting Officer

June 26, 2007

12

Consent of Independent Registered Public Accounting Firm

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We consent to the incorporation by reference in Registration Statement (No. 33-48683) on Form S-8 and in Registration Statement (No. 333-91054) on Form S-8 of Citizens Communications Company of our report dated June 22, 2007, relating to the statements of net assets available for benefits of the Citizens 401(k) Savings Plan as of December 31, 2006 and 2005, and the related statement of changes in net assets available for benefits for the year ended December 31, 2006, which report appears in the Annual Report on Form 11-K.

/s/ Insero & Company CPAs, P.C.
Certified Public Accountants

Rochester, New York
June 26, 2007